

ACCOUNTANCY

VOL. LVIII (Vol. 9 New Series)

February, 1947

Number 642

CONTENTS

	PAGE		PAGE		PAGE
PROFESSIONAL NOTES		EDITORIAL		FINANCE	
New Year Honours ...	23	Economic Outlook ...	27	The Month in the City ...	40
The President of the Institute ...	23	LEADING ARTICLES		Points from Published Accounts ...	41
Electricity Nationalisation ...	23	Savings Banks—Limits of Deposit	28		
The Electricity Bill and Local Authorities ...	24	The Internal Audit of the London County Council ...	29	LAW	
Solicitors' Accounts ...	24	Recent Developments in Accounting in the United States	31	Legal Notes ...	41
Trade Statistics ...	25	—II ...	31	The Emergency Acts and Orders ...	43
The Editor of <i>The Accountant</i> ...	25	PUBLICATIONS ...	34	SOCIETY OF INCORPORATED ACCOUNTANTS	
Eighth International Management Congress ...	25	TAXATION		Deferment—Articled Clerks ...	44
The British Institute of Management ...	25	ARTICLE: Losses Carried Forward ...	35	Council Meeting ...	44
Articled Clerks and Deferment of National Service ...	25	E.P.T. Terminal Reliefs ...	36	Results of Examinations ...	45
Planning Bill ...	26	Accounting Periods for E.P.T. ...	36	Examinations, May, 1947 ...	47
The Association of British Chambers of Commerce ...	26	Post-War E.P.T. Refunds ...	36	Dinner at Bradford ...	47
Excess Profits Tax Refunds Advisory Panel ...	26	Family Allowances ...	37	District Societies and Branches ...	48
Income Tax—Age Relief ...	26	Cessation of Bank Interest ...	37	Incorporated Accountants' Lodge ...	48
Industrial Organisation ...	26	Dividends from American Companies ...	37	Personal Notes ...	48
		RECENT TAX CASES ...	38	Removal ...	48
				Obituary ...	43, 48

PROFESSIONAL NOTES

New Year Honours

We congratulate the following members of the accountancy profession whose names are included in the New Year Honours List:—

Knight Bachelor: Mr. Harold Montague Barton, F.C.A., Financial Director, National Dock Labour Corporation, Ltd.

C.B.E.: Captain J. E. Stone, F.S.A.A., for services to hospital organisation and administration.

C.M.G.: Mr. Ira Wild, A.S.A.A., lately a member of the Commission of Government, Newfoundland.

M.B.E.:

Mr. T. E. Naughten, A.S.A.A., Staff Clerk, Ministry of Labour.

Mr. H. Basil Sheasby, F.S.A.A., F.C.A., Secretary of the National Council of Wholesale Egg Distributors.

Mr. W. H. Williams, A.S.A.A., Borough Treasurer and Local Fuel Overseer, County Borough of East Ham.

A Knighthood is also to be conferred on Dr. William H. Coates, a Deputy Chairman of Imperial Chemical Industries, Ltd., for his services to Government Departments. Dr. Coates was formerly Examiner in Economics and Statistics to the Society of Incorporated Accountants, and is now adviser in regard to the examinations.

The President of the Institute

We extend our best wishes to Mr. Gilbert D. Shepherd, F.C.A., Cardiff, on his election as President of the Institute of Chartered Accountants in succession to the late Mr. E. Furnival Jones, F.C.A., F.S.A.A., to whose regretted death we refer on page 43 of this issue. Mr. H. Crewdson Howard, F.C.A., has been elected the Vice-President.

Electricity Nationalisation

Most of our readers will already have strong views one way or another upon the merits and demerits of the nationalisation of electricity, and we do not propose to discuss this vexed question in detail. We cannot refrain, however, from pointing out that the McGowan Committee reported in 1937 that there were no adequate grounds for an immediate and complete reorganisation of electricity distribution under public boards which would take over existing undertakings. Further, the industry has been one of the most obvious leaders in economic and technical progress during the last decade. On the other hand, the findings of the McGowan Committee may to some extent be capable of modification by reason of the very growth of the industry, and particularly because its relations to the gas industry call for large-scale co-ordination, which without reorganisation on a national basis may be difficult of achievement.

As in the case of the Transport Bill, upon which

we commented last month, the greatest objection must be brought against the compensation clauses. The shareholders in electricity undertakings are to be compensated on the basis of market values for a period at the beginning of November of last year or on a number of days in February to July of 1945, whichever may be the higher. The general reasons against the calculation of compensation on Stock Exchange valuations apply with equal strength to electricity. The inclusion of the alternative pre-election period of valuation does not eliminate the influence upon values of nationalisation fears. The very expectation of nationalisation results, by this method of valuation, in a reduction of the capital—and even more emphatically the income—of the compensated shareholders. Local authorities are even more hardly hit, as is pointed out in the following professional note.

Some specific points of less general interest will particularly concern the accountant. First, the holders of shares in an undertaking to be taken over will appoint a stockholders' representative who will look after their interests in the fixing of compensation and its distribution. The auditor of the body will be qualified to be the stockholders' representative, but, for reasons which are not very clear, a director or officer will be disqualified. The Minister of Fuel and Power will pay the stockholders' representative such remuneration, whether by way of salary or fees, and such allowances and expenses as he may determine. Second, the Central Electricity Authority to be created and each of the 14 Area Boards to operate under it are to "keep proper accounts and other records in relation to the business of that authority or the business of that board . . . and shall prepare in respect of each financial year a statement of accounts in such form as the Minister, with the approval of the Treasury, may direct, being a form which shall conform with the best commercial standards." This is a form of words, which, since the Coal Industry Nationalisation Act, has become familiar; but as we have previously pointed out in these columns, it leaves much to be desired, and there remain doubts as to how much information about the nationalised industry will be vouchsafed to taxpayers. Third, the accounts so produced are to be audited by auditors to be appointed in respect of each financial year by the Minister. Here again, there is no prescription of a professional qualification for the auditors. The very least that might be expected, since professional accountants will be displaced in numbers as auditors of the various concerns, without right to compensation, is that the appointment of the auditors of the nationalised bodies should be clearly limited to practising accountants who are properly qualified. As it now reads, the relevant clause would enable the Minister to appoint internal officers of the Government as auditors.

The Electricity Bill and Local Authorities

The Electricity Bill will be looked at askance by most local authorities. Not only are they to lose their electricity undertakings but, in effect, they are to receive by way of compensation only the out-

standing debt on them. Most of the authorities will feel that their undertakings, being already in public ownership, need not have been taken out of their control. The undertakings, they argue, are to be swept into the nationalisation net because there happen to be privately owned undertakings operating side-by-side with municipal undertakings, and the Government were unwilling to differentiate between the two, presumably in the interests of the large-scale co-ordination to which we have already referred. The local authorities contend that municipal ownership of the gas and electricity undertakings is an administrative convenience to the consumer. Where, for example, the town owns both undertakings the consumer enjoys, in many areas, the benefits of joint meter reading, joint billing, and, of course, joint payments. Is the clock to be put back in this direction? Are the new Boards to be sufficiently flexible to allow municipalities to continue to carry out these tasks on their behalf? Or will they proceed to set up separate organisations with consequent detriment to the convenience of consumers whose service is the *raison d'être* of the Boards? Moreover, the setting up of new administrative machinery for these tasks and others, e.g. keeping of accounts, is difficult to justify, especially at a time when the country's manpower is so inadequate for the manifold burdens placed upon it.

As to the terms of compensation the local authorities will feel still unhappier. Compensation on the basis proposed appears to them very much like confiscation. No payments will be made to compensate for loss of profits (some towns, especially seaside resorts, have for many years relied on annual transfers from trading undertakings to relieve rates) or for capital expenditure met from revenue, loss of the undertaking's contribution to central administrative expenses, or loss of income tax set-off. The only consolation is that the clause relating to the adjustments on account of the dissipation of assets applies to companies only.

Solicitors' Accounts

It is necessary to make some qualification of the statement which appeared in the editorial on Solicitors' Accounts in our December, 1946, issue. It was stated in that article that "in future, the granting of a practising certificate to a solicitor each year will be dependent upon the production of an accountant's certificate." In fact failure to lodge an accountant's certificate during any one practising year, or indeed the lodging of a certificate which on the face of it showed that the Solicitors' Accounts Rules had not been complied with, will not entitle the Law Society, as Registrar of Solicitors, to refuse the issue of a practising certificate. In either such case, however, the Law Society may take disciplinary proceedings against the offender. This is the sanction which will be applied in the case of failure to produce an accountant's certificate, and the Law Society has no power to withhold a practising certificate until the decisions of any disciplinary proceedings are promulgated and warrant such action.

Trade Statistics

The Census of Production is regularised and made an annual, instead of a quinquennial affair, and the Census of Distribution is introduced, in the Statistics of Trade Bill issued in December. The Bill lays a general obligation on all undertakings to provide returns and information on the following:

The nature of the undertaking (including associations with other undertakings); date of its acquisition; persons employed; nature and hours of work and remuneration; output, sales, deliveries and services provided; articles acquired or used, orders, stock and work in progress; outgoings and costs (including work sub-contracted, depreciation, rent, rates and taxes, other than profit taxes; capital expenditure; receipts; debts; power; fixed assets, including acquisition and disposal; premises occupied.

It is rather surprising that the Bill lays down so explicitly the information which the authorities may require of businesses; it would be expected that some general clause, enabling further information to be collected if needed at some time in the future, would have been included. Perhaps, however, the absence of any such clause is explained by anticipation of the unenthusiastic reception the Bill obtained from a large section of the press, claiming to speak for the smaller businesses. Multiplication of forms is clearly to be avoided, but if those used for these two censuses are intelligently drawn up, they may dispense with numerous others to which business is already subjected. The time and labour consumed in providing information under the various heads set out will certainly be considerable, especially since in many of the smaller firms it does not exist in convenient form in the books and records. There is, however, a general exemption clause in the Bill, and this will, no doubt, be used to limit the demand for returns to the sizable businesses. The safeguards against publication of information relating to individual undertakings appear to be adequate. We may expect the next Census of Production to be in 1948, based on the experience of 1947, and probably the first full Census of Distribution will follow about a year later. If the information provided by these Censuses is to serve its purpose of enabling an appreciation of economic trends to be based on more precise statistics, it must be collated rapidly and published (in the form of aggregates) for public consumption and discussion, with much less delay than beset the pre-war Census of Production.

Meanwhile, the partial census of production has begun with the sending by the Board of Trade of a form to firms in the engineering industry. The form in many instances runs to 26 pages and comprises 146 different heads under which firms are asked to give details of their business in 1946. It must be sent back within two months or proceedings under the Defence of the Realm Act are threatened. The form is different for the various branches of the engineering industry, which means that a firm with several sections will be expected to return a number of these voluminous forms. The Secretary-General of the Engineering Industry Association has stated that large firms will have to employ several accountants if

the information required is to be intelligently compiled. A small firm, he continued, could afford neither the accountants' fees nor the time necessary. Some of the information required was not normally kept by engineering firms. It is understood that the Association is to have discussions with the Board of Trade upon the question.

The Editor of "The Accountant"

Miss Vera Snelling has recently retired from the editorial chair of our contemporary *The Accountant*. In extending our good wishes to Miss Snelling, we desire to acknowledge her continuous courtesy to ACCOUNTANCY and her personal co-operation. Miss Snelling maintained the punctual and regular publication of *The Accountant* amid many adverse conditions, which on one occasion unhappily included the complete destruction of offices, printing machinery and type in London; this necessitated immediate removal to emergency accommodation elsewhere. We welcome as her successor Mr. C. Graham Hardy.

Eighth International Management Congress

The first International Management Congress to be held since the war, and the eighth in the series, will be in Stockholm from July 3 to July 8. It is a primary task of this first post-war Congress to crystallise war-time developments in administration and organisation and to formulate those advancements, either in principle or in application, which have been made since the last Congress held in Washington in 1938. The emphasis is to be on the human and social aspects of management, rather than the material aspect. The three plenary sessions will be devoted to, first, the philosophy and application of scientific management; second, regional and local planning in modern society and third, industrial relations and the responsibilities of management and labour. Great Britain has been invited to present papers at the first and third of these sessions and it is expected that the British paper on employer-employee relations during the war may prove to be an outstanding contribution. The British delegation will number about 175, including representatives of Government, industry, commerce and accountancy.

The British Institute of Management

Pending the setting up of the British Institute of Management (see ACCOUNTANCY for May, 1946), the British Management Council is making arrangements for the British participation in the International Management Congress referred to in the preceding note. The first step for the formation of the Institute has, however, been taken with the announcement of the membership of its Council. Mr. C. G. Renold, who is chairman of the Renold and Coventry Chain Company, Ltd., is to be the chairman of the Institute. We are pleased to announce that Mr. R. E. Yeabsley, C.B.E., F.S.A.A., F.C.A., has been appointed a member of the Council.

Articled Clerks and Deferment of National Service

Incorporated Accountants who have or consider taking articled clerks born in or after 1929 are advised

to study and to bring to the notice of their clerks the statement on page 44 of this issue. This explains the conditions under which, in accordance with a recent Government announcement, national service may be deferred until after the expiration of articles, and in appropriate cases until both a university degree and a professional qualification have been obtained. Where a clerk is eligible to apply for deferment, his national service will not be accepted by the Council of the Society in lieu of any part of service under articles, the full period of which must be completed in the principal's office.

Planning Bill

The Town and Country Planning Bill, a measure running to 130 pages, is perhaps the most involved of the many complicated Bills introduced in this Parliament. Its main object is to secure control over the development of land—an object which, after the Barlow, Scott and Uthwatt reports, is not likely to be seriously criticised. Yet in the manner of pursuing this aim, the Bill will arouse hot debate. No development of land (including buildings upon it) or change in its use may be put in hand without express permission—even the conversion of a house into flats or a change in the type of manufacturing carried on in a factory is “development” under the Bill. No compensation is payable if permission to develop is withheld. Only the value of the land in its existing use will belong to the owner, except for the present value of development now definitely foreseen and discountable, for which partial compensation will be paid. The aggregate of this compensation is quite arbitrarily put at £300 million—no matter what the sum of the discountable development values may be, the total compensation cannot exceed that figure, though the actual values (at 1946 prices) must be assessed in order to divide the £300 million among the numerous claimants. These values will, in fact, clearly vastly exceed £300 million. When permission to change the use of land is granted, a “developmental charge” will be levied upon the owner on the accruing increase in the value of the site. This charge may be the whole of the increase in the site value or only a part of it, as may be determined at the time. There is thus an indefiniteness about this provision of the Bill which should be removed. Local planning authorities, either county councils and county boroughs or bodies to be set up by them jointly, will be enabled to acquire land compulsorily—at 1939 prices. We propose next month to deal with the measure in fuller detail, as it affects local authorities.

The Association of British Chambers of Commerce

Mr. R. B. Dunwoody, C.B.E., has resigned the office of Secretary of the Association of British Chambers of Commerce, which he had held with distinction for thirty-four years. At the last annual meeting the Association recorded its appreciation of the value of his work, not only to the Association

but through industry and commerce to the nation at large. The new Secretary is Mr. Arthur R. Knowles, O.B.E.

Excess Profits Tax Refunds Advisory Panel

Sir Mark B. R. Grant-Sturgis has been appointed a referee to consider appeals against refusals by the Advisory Panel on Excess Profits Tax Refunds to approve authorities or undertakings given in connection with claims for refunds and appeals from reports of the Panel concerning the use of a refund. Sir Mark Grant-Sturgis was, until July of last year, presiding Special Commissioner of Income Tax.

Income Tax—Age Relief

The Chairman of the Income Tax Payers' Society, Lord Broughshane, has suggested in a letter to the Chancellor of the Exchequer that age relief at 65 should be granted on incomes up to £900 per annum instead of £500 per annum as at present. He points out that since this relief was first given in 1925 the purchasing power of sterling has been so reduced that if the figure of £500 was reasonable then it must be quite inadequate now, especially for old people living on small investment incomes. The argument does, of course, apply more generally than to old people and Mr. Dalton may reject it on those grounds, but there will be some general sympathy with it especially since, as Lord Broughshane points out, old age pensions have received a substantial increase recently, in distinction to the reduction in the income of old people living on investments.

Industrial Organisation

The Industrial Organisation Bill has been introduced to give effect to some of the recommendations of the working parties appointed by the Board of Trade. It provides that a Development Council may be established for any industry, with the objects of increasing its efficiency and productivity and enabling it to render better and more economical service to the community. Councils will be set up under Orders to be made by a Minister after consultation with employers and workers. Like the working parties, they are to be appointed by the Minister and to include representatives of both sides of the industry and some independent members, one of whom is to be chairman. A Development Council may be empowered to call for returns and information, and to make levies for scientific research, promotion of export trade, or improvement of design. Its functions may be any of those enumerated in a schedule to the Bill, including such matters as research, methods of production, design, marketing, training, working conditions and publicity. Those which will be of most interest to our readers are: “Promoting the improvement of accounting and costing practice and uniformity therein, including, in particular, the formulation of standard costings; promoting or undertaking the collection and formulation of statistics. The accounts to be kept by each council and their audit are matters to be provided for by the Order under which it is set up.

ACCOUNTANCY

*Formerly the Incorporated Accountants' Journal
Established 1889*

The Annual Subscription to ACCOUNTANCY is 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. od., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2.

ECONOMIC OUTLOOK

The historian of the future will be able to say whether in 1947 this country stood at the cross roads and took the initial steps towards its restoration as a great power or towards a further decline in its world status. But for us, living in these troublesome times, no such decisive conclusion is possible—we can only pose a large number of questions and seek the best available answers.

Our economic relationships with other countries present the first big question-mark. There can be few responsible people in this country who do not appreciate the vital importance of reaching fairly soon the required—minimum—increase of 75 per cent. over the 1938 total of exports. Yet the magnitude of this undertaking is not always appreciated. The spurt in exports about the middle of last year gave rise to expectations which have since been unfulfilled, and for some time we can hardly expect to exceed 130 per cent. of the 1938 volume. In consequence, we are limited in the import of vital food-stuffs and materials to something like 70 per cent. of the pre-war inflow and thus the expansion of our industrial output is impeded.

We have entered into international obligations the purpose of which is a great expansion of world trade. Only in the propagation of free international intercourse can a country like ours remain prosperous; yet it does not behove us to forget the burden of the obligations we have now to bear. In particular, by the middle of this year, a foreign trader obtaining sterling for his goods will be free to exchange it into any other currency—and this at a time when we are fast exhausting the American dollar loan. We have still to negotiate with a long list of foreign countries—some of them, like India, Palestine and Egypt, at the present time not disposed towards us in friendly fashion—for a settlement of the debts aggregating some £3,000 million which we owe them as a result of the war. Overshadowing everything, our economic welfare is now so immediately bound up with that of the United States that any recession there would have immediate and far-reaching implications upon us.

Discussions among the nations are soon to take place for the creation of the International Trading Organisation. We should pin great hopes upon these

discussions. The creation of a liberal-inspired organisation offers the best opportunity of freeing the channels of international trade and producing agreements among the nations, including the United States, that they will preserve a high and stable level of employment in their respective territories by whatever means are within their power. Only thus can world trade be maximised.

Internally, there are other big question marks. It is true that, apart from pockets in particular areas, especially South Wales, there is little unemployment in the country. But the reverse problem, that of an intense shortage of labour, is a formidable one. Yet we persistently refuse to increase our labour supply by the only method ready to hand, namely, by setting to work foreigners, especially Poles, already in this country who are willing and anxious to stay and by importing from abroad other immigrants, especially Italians, who are willing and anxious to come. There would no doubt be some difficulties of assimilation of foreign labour and the hesitancy on the part of the trade unions can be understood. Nevertheless, our labour supplies, short mainly because of the withdrawal from industry of married women recruited during the war, must be overcome. At the same time, the labour supply which we have is clearly not properly distributed. There are some industries, of which cotton, iron foundries and agriculture are obvious instances, which require a larger share of even the limited supply of labour that is available. We shall probably have to face wage increases in such industries as the only possible way of achieving the required distribution. This will mean some aggravation of the wage inflation which notable economists have regarded as one of our most serious dangers. Yet, if with this unavoidable upward movement in wages—restricted by agreement, it is to be hoped, to a few specific industries—there goes a considerable increase in production, the dangers will have been averted.

Production is, indeed, the key note. This Government is surely in a more favourable position in obtaining full co-operation from the workers in a maximum production drive than any other Government would be. But the joint consulting machinery between employers and employees has become less important since the Government took office; payment by results and piece work, as contrasted with time work, have been increasingly discarded; trade unions have persisted in the old tradition of limitation of output. Taxation which by its high marginal incidences results in a disinclination on the part of the worker and the manager alike to put in more effort has not yet been modified so as to restore the incentive. Nor, so far as the unbiased observer can see, is the main stress in the arguments put forward for nationalisation being placed upon the paramount need for the increase of production.

The recent Economic White Paper offers no constructive proposals on any of these issues. It is high time that exhortation and explanation gave way to positive plans and a real productive effort. Otherwise most of us will before long become exceedingly pessimistic about the future historian's answer to the question put at the beginning of this article.

Savings Banks—Limits of Deposit

[CONTRIBUTED]

The new Limits of Deposit Order, 1946*, which came into operation on November 5, 1946, is a consolidating Order applicable both to the Post Office Savings Bank and to Trustee Savings Banks. As the title indicates, the Order limits the amount which can be deposited in Savings Banks where, at the present time, as for some fifty years past, the rate of interest allowed to depositors has been 2½ per cent. per annum. The limitation on deposits is influenced by, but cannot be wholly attributed to, the fact that the rate of interest allowed is above the market rate for money available practically on demand. It is influenced by the fact because a limit which had been lifted since 1915 has now been in principle restored; but it is not wholly attributable to the rate of interest being relatively high, for there have been years in which the reverse situation obtained, and yet in which limitations on deposits existed.

An examination of the Order can be conveniently divided into four parts: first, the nature and amount of the annual limit and the exemptions therefrom; secondly, the amount of the total limit and the exemptions allowed; thirdly, certain cases of permitted credits yet not amounting to exemptions from the limits; and fourthly, cases in which deposits exceeding the normal limits may, with the sanction of the appropriate department, be accepted from certain classes of depositors.

The "annual limit" is not a limit on the annual rate at which balances can be increased, but a limit on the aggregate of the amounts which can be deposited in the course of a single year. This is set at £500, a figure at which it has stood since shortly after the 1914-1918 war. Moreover, there is a right to replace money previously withdrawn in one entire sum, but not more than once in the same savings bank year; in other words, a single deposit may be "married" with a single previous withdrawal. This slightly mitigates the severity of the limit. Nevertheless, such a limit remains something of an obstacle to what have been called "income" as opposed to "savings" deposits. For example, if A. has a net salary of £50 per month (after deduction of income tax), at the end of ten months he will have reached the annual limit notwithstanding that he has withdrawn, say, £40 per month and thus has a balance of no more than £100. This is subject to the qualification that he may marry an eleventh deposit against a previous withdrawal. If, on the other hand, only the saving of £10 per month had been deposited, his aggregate deposits by the tenth month would only have amounted to £100, and he would thus be well within the annual limit.

At first sight there would seem little to justify a limit which excluded income deposits, and so encouraged people either to keep money in the house, or alternatively to open a current account for which they might have little need. It is more likely, however, that the object in retaining the limit is to exclude

"business" deposits which properly call for commercial banking facilities, and that the exclusion of fairly high net income deposits is incidental and unavoidable.

The permitted exemptions from the annual limit alone include post-war income tax credits and service gratuities. In addition, all exemptions from the total limit (to be mentioned later) are also exemptions from the annual limit.

In 1915 the total limit was suspended along with the annual limit, and when in 1920 the annual (though at a much higher figure) was restored, the total limit was not re-imposed. To the public who have had no experience of a total limit for over twenty-five years, the re-imposition is regarded almost as an innovation. It is, however, more easy to appreciate the case for a total limit on purely economic grounds than that for an annual limit supplementary to the total limit: for while the total limit seems reasonable, having regard to the cheap money policy, the annual limit is apt to be regarded to-day as an anachronism, tending to perpetuate the character of Savings Banks as institutions serving a particular social class.

The total limit now stands at £2,000. Here again there are two or three exemptions: first, money deposited for immediate investment in Government stock or bonds; secondly, money deposited for the purchase of a savings bank annuity or insurance; and, thirdly, money deposited as or for a loan free of interest to His Majesty's Government.

The regulations as to credits which may be made notwithstanding the limits, but which are not exemptions, are new. The "permitted" credits may be made though (1) they cause the annual and/or total limit to be exceeded, or (2) such annual and/or total limit has been previously reached. But the cases are distinguishable from exemptions because they all "use up" the limit and to that extent curtail future deposits which could otherwise have been made. Seven such cases are set out in the Order: first, interest on deposits; secondly, dividends on Government stock or bonds held on the Post Office register; thirdly, any sum accruing in respect of a savings bank annuity or insurance; fourthly, any sum transferred from the account of a depositor who has died; fifthly, war gratuities under Section 23, Finance (No. 2) Act, 1945; sixthly, post-war credits under Section 19, Finance Act, 1943; and seventhly, income tax credits under Section 7, Finance Act, 1941.* It will be observed that the first three cases are all of "direct" credits, while the last three are also exemptions from the annual limit. The fourth case avoids the temptation which might otherwise exist not to administer (say) the estate of a deceased spouse where the personal representative is also the sole beneficiary.

In illustration of the working of these new pro-

*S.R. and O., 1946, No. 1790.

* It is doubtful whether the "over 65" cash repayments would be included.

visions, the case may be taken of a man with a balance of £400 and £1,000 of 3½ per cent. War Stock. Suppose the account to have been opened during the year, and that there have been no repayments. If the depositor desires to place a further £100 to his account on May 31 he can do so. On June 1 the half-year's interest of £17 10s. can still be credited. But if the depositor desired to make the deposit on June 2, instead of on May 31, he would be limited to £82 10s.

With the approval of the National Debt Commissioners, deposits exceeding the limits may be received from (i) Registered Friendly Societies, (ii) Building Societies, (iii) Industrial and Provident Societies, (iv) Charitable or Provident Institutions or

Societies, (v) Savings Clubs, (vi) Penny Savings Banks, (vii) Persons in respect of donations or bequests for the maintenance, education or benefit of the poor. The Commissioners may, however, attach to their approval such conditions as seem to them appropriate.

Similarly, the Postmaster General may approve deposits made in the Post Office Savings Bank—but not also in Trustee Savings Banks—by a Government Department or Office.

The provisions as to departmental sanction enlarge the previously existing powers of the Commissioners. Formerly certain of the exemptions were expressly conferred by statute and were not subject to any kind of approval.

The Internal Audit of the London County Council*

By L. QUINTON, B.A., B.Sc.(Econ.), A.S.A.A.

The London County Council may, or may not, be an appropriate subject for the music-hall comedian, but from the accounting point of view it is a pretty big proposition. Let us take a very brief survey of the Council's principal activities:—

Education.—More than 1,000 schools, of varying types from primary schools to polytechnics and training colleges. About 13,500 teachers with a salary bill of nearly £7 million a year.

Housing.—Nearly 100,000 houses and flats, mostly let at weekly rentals. Net rent roll about £3 million a year. Cost of repairs and renewals approximately one-third of this sum—annual charges equalised through a Repairs and Renewals Fund.

Public Health.—Nearly 100 hospitals and institutions. Some very large, e.g., three accommodate over 2,500 patients each and thirteen over 2,000. At a large hospital, well over £100,000 is paid out every year in salaries and wages, a stock of consumable stores is held to the value of some £50,000, the canteen (for patients and staff) may have a turnover of £10,000 or more a year.

Londoners' Meals Service.—Runs some 150 public restaurants as well as the task of providing mid-day meals for school children. Outgoings over £2 million a year—roughly half for food and half for wages. A war-time feature that seems likely to become a permanent one and, incidentally, a very fruitful field for audit.

Parks and open spaces.—Nearly 7,000 acres, including golf courses, lidos, bowling greens, tennis courts, cricket and football pitches, etc. Considerable income from games facilities collected mainly in small sums and involving much accounting work.

Main drainage.—Pumping stations, sewage outfalls, sludge vessels and many miles of sewers to maintain.

With the above-mentioned, and many other, activities, it is perhaps not remarkable that the Council has to budget for an annual expenditure of nearly £50 million on revenue account. The staff of all grades required to work the machine numbers nearly 75,000; of these, some 10,000 are classified as "Administrative, clerical, technical and supervisory," and it is with the activities of this latter class that the internal audit is mostly concerned.

Financial Organisation

Like any other big concern, the Council's administrative staff is organised in departments, e.g., Architect, Clerk, Comptroller, Director of Housing, Education Officer, Engineer, Medical Officer, Solicitor, and so on. Although the Comptroller is the chief financial officer, with a wide range of important duties, his department is not expected to cope with the whole of the financial work of the Council—much detail has to be decentralised, e.g., wages of weekly paid staff, collection of rents and sundry income, examination and certification of accounts for payment. Under the rules laid down by the Finance Committee of the Council, each Chief Officer is responsible for keeping within the quota of expenditure assigned to him each year by the annual votes, although the Comptroller, as chief accountant, is expected to watch progress and advise when votes seem likely to be exceeded. The heaviest "spender" is the Education Officer, who accounts for about one-quarter of the total; next come the Medical Officer (hospitals, ambulances and other public health services), the Comptroller himself (insurances, superannuation fund, interest on and redemption of debt, etc.), the Director of Housing (rents, rates, taxes, repairs). Each department has a "finance" section handling this type of work. The efficiency of these finance sections varies considerably as between departments—some are fortunate in being supervised

* Based on a lecture delivered to members of the Incorporated Accountants' London and District Society and London and District Students' Society on November 7, 1946.

by qualified accountants; others have to be run by men without any special accountancy training. It is the primary function of the internal audit division of the Comptroller's Department to advise and supervise in matters of accounting organisation and methods. For example, wages sheets, standards and records, receipt forms and the control thereof, stock records, cash and other account books, are designed or, at any rate, "vetted"; accounting methods watched for adequacy of internal check; the main principles of proper custody of cash and stores continually emphasised. The balance has to be held between the advocates of old and obsolete methods ("we've always done it that way") and the machine enthusiasts who want everything done on punched cards.

The War Years

During the recent war years, the shortage of trained staff and consequent use of temporary employees made it even more essential to be continually watching for instances of relaxation of normal standards; unfortunately, the Comptroller's internal audit division had to suffer attenuation in strength even more than the rest—for trained auditors could not be recruited to replace those lost by the demands of the Services. But many peace-time safeguards had perforce to be relaxed—systems of cross-check could not always be arranged. On top of all this came the addition of Civil Defence to the Council's already multifarious duties, and in many instances rather improvised accounting was the best that could be done with the material available. The internal audit division struggled bravely on, preaching first principles such as "The proper place for cash is in the bank (and not in the office safe)"; "Draw money for wages (and take an escort with you) on the morning of pay-day and not the day before"; "Keep stores under lock and key and look after the keys"—and so on. And, while there were inevitably some regrettable losses, both from inefficiency and from fraud, many of which might have been obviated had the audit division been at full strength, much useful preventive and corrective work was achieved.

Test Checks

The secondary function of the internal audit is to maintain a running *test* of the working of the systems they help to install, by surprise visits of inspection and check. It is obviously quite impossible, even with a pre-war strength of about 100 men, to cover in full the accounting work of several hundred people, so no hard and fast rules are laid down—a "test check" may be 5 per cent., 50 per cent. or 100 per cent. as occasion demands or results indicate. The knowledge that an audit visit may happen at any time does much to promote efficiency and restrain "irregularities"—cases sometimes occur of defaulters voluntarily confessing their sins on hearing that the auditors are in the neighbourhood (on quite another mission).

Discovery of Fraud

Audit staff are encouraged to be tactful and helpful, to develop an enquiring turn of mind without appearing to be too inquisitive. While the value and

necessity of routine checks of cash balances, postings, vouchings, casts and so on is by no means to be deprecated and, indeed, proves most valuable in correcting errors of omission and inexperience, the unmasking of the black sheep (who appear in even the best regulated systems) usually originates from intelligent investigation of some little point that happens to catch the auditor's eye and strike him as being rather curious or unusual.

An example of this occurred recently when a member of the internal audit staff was examining the annual trading account of a big hospital canteen. For no particular reason, he was turning over the pages of the cash-book, which had been audited at a previous visit, and noticed an expenditure entry of £150 that looked as if the figure "1" might have been added subsequently to the original entry. Reference to the voucher confirmed that the actual amount spent was £50 only. So he sat up with a jerk and looked again—sure enough another £100 had been added to the expenditure side by a not very skilful alteration of a "1" to a "2," and again the voucher confirmed the original entry. Cash and bank balances having already been agreed, as he thought, his problem was to discover what had happened to the missing £200. The bank paying-in counterfoils had been checked against the cash-book, but not compared with the pass-sheets—these were sent for, but could not be found. So off to the bank to see the original paying-in slips, and the mystery was solved. On two occasions £250 had been paid in, the tail of the "2" on the counterfoil being left very short and afterwards really skilfully altered to "3" so that the cash to bank entries of £350 in the cash-book had been accepted as correct.

Result—dismissal, with loss of pension, of a senior clerk at the hospital.

The lesson to auditors—always check cash-book entries in detail against bank pass-sheets and don't rely on paying-in slip counterfoils or carbon copies.

Fortunately, most of the black sheep met with from time to time in accountancy work either fail to appreciate the effectiveness of audit methods and are caught out first time or, if they are more wily, sooner or later get careless and give themselves away; and the majority of them are so unoriginal! The experienced auditor is quick to recognise symptoms of the well-worn tracks followed by generations of those who attempt to enrich themselves at their employers' expense, and sometimes gets rather bored at their lack of originality. Every now and then, to relieve the monotony, a rather brighter lad comes along with a fresh line of attack, and sometimes gets away with it for a considerable period—towards these the auditor extends a certain sense of gratitude and respect.

But, in normal times, the fact that in the Council's service the great majority are permanent officers, with a pension to lose if they misbehave, produces a high standard of integrity and the proportion of black sheep is low. The main purpose of internal audit is to see that things go right, rather than to catch out the people who go wrong.

Recent Developments in Accounting in the United States—II

By GEORGE D. BAILEY, C.P.A.

The first part of Mr. Bailey's article appeared in our January issue. The author is a Certified Public Accountant of Detroit, Michigan; has served since 1938 as a member of the Committee on Accounting Procedure of the American Institute of Accountants and for the last two years has been its chairman.

Conservatism

One of the most difficult problems is that of the place of conservatism, and it is one of the most pervasive. Business is uncertain at best, and full of pitfalls and disappointments. Conservatism in financial accounting has been proved sound over long experience. But with the shift in emphasis from the Balance Sheet to the Income Statement, it is conservatism of income that becomes of greater importance, not merely conservatism for one year but conservatism year after year. The trouble with conservatism is that often it merely shifts income from one year to another, so that the conservatism in the income of one year becomes the overstatement of another. It has become well recognised that arbitrary general reserves are not to be provided in one year and used to equalise profits in subsequent years, even with full disclosure. In addition, during the last few years, conservatism for its own sake, even to writing off intangibles, has been challenged, as will appear later. It is the integrity of the income statement that is important, and unjustified conservatism, by having a beneficent effect on future income, may have a more definite harm than the good which comes from conservative balance sheet amounts which less and less indicate value either current or liquidating. Perhaps it is safe to say that the trend is towards a consideration of conservatism as something to be applied when doubt exists, and then only after careful study, and away from the application of a conservatism that confuses future accountability. The fact that conservative practices are being challenged, and in some cases already have been modified, is an important phenomenon.

Form of Income Statement

The increasing emphasis on income has put increasing emphasis on the manner in which the information on income for the year should be presented to the public.

The amount of information to be given had been pretty well worked out by 1939. Sales, cost of sales, commercial or operating expenses, important non-recurring items, and income taxes were generally disclosed to stockholders in annual reports as well as charges for depreciation and amortisation. But items extraneous to current and normal business or items not bearing on the operations of the year have been getting increasing attention. In the period prior to 1930, the exclusion of items from the income statement, as being unrelated thereto, had been carried to such an extreme that it was clearly desirable to put the emphasis on including items within the determination of income in the income statement; accordingly, the period of the 1930's saw a decrease in the kind and frequency of direct charges or credits to the undivided profits (surplus) account. Nevertheless, the Committee on Accounting Procedure at various times recognised the propriety and desirability of the exclusion from income by direct application to surplus of items unrelated to operations of the year where such items were of a size to distort or destroy the normal significance of the statement of annual income.

The problem of what kinds of items and what size to exclude from the statement of income for the year has become increasingly acute in the last few years because of the necessity of sharpening the presentation of income and because of the uncertainties of many items in the war period. The problem of items clearing up the accounting for the war period and entirely unrelated to the current year will be important for some years. Without care, those items might seriously distort the showing of annual net income; yet the absence of standards for inclusion or exclusion must inevitably result in a disturbing variety of practice, a variety which would seriously impair the usefulness of the financial statements for appraising the efficiency of a business. The necessity of some exclusions is well recognised by most accountants and progress towards the statement of criteria for exclusion of items from the income statement for the year is undoubtedly being made. At the time of writing there seems to be a trend towards a form of statement which presents in one continuous showing first the net income for the year and second the items excluded from that determination. Thus, the reader will have before him the complete history of transactions of the year, regardless of whether they are related to the year's income. The responsibility is on the issuer of the statement and its accountants for a proper interpretation of whether such items are related to the year's income. Accounting literature in the United States during the past year has included a good deal on this subject and the end is not yet.

Cost and Value

The place of value in accounts has appeared to me to be greater in the United States than in Great Britain, but its importance has been decreasing over the years. Certainly in accounting for public utilities and in the fixing of rates for such companies, the matter of value has become of little importance. Nevertheless, the recognition of changing values is still an important accounting problem, and may become even more so in the years ahead if the present inflationary factors affect prices as they seem fated to do.

With respect to current assets, or those which are to be currently liquidated in the course of business, certain conventions of value are still generally recognised. But on inventories, the adjustment of cost to cost or market, whichever is lower, is coming in for increasing challenge, particularly where the indicated adjustment is not expected to be realised. Then, too, in most businesses, inventories must be liquidated through operations, with the result that an accurate showing of operating history often is more important than conventions of market "values." On the other hand, there has been a very considerable use of the accounting convention of pricing inventory on a last-in, first-out basis, which effectively discards any value tests except in extreme cases. The fact that the "lifo" basis has increased in use in the period when income concepts were supposed to be sharpening is an anomaly that is explained by the acceptance of "lifo" for the determination of income for taxation.

As to property accounts, the Committee in 1940 stated positively that "accounting for fixed assets should normally be based on cost, and any attempt to make property accounts in general reflect current values is both impracticable and inexpedient." But the bulletin at that time did not deal with the problem of what was not normal. It dealt principally with the point that where property had been adjusted, depreciation should be charged to income on that adjusted basis. The effect, however, has been to pretty well outlaw adjustments for fluctuation in values. There still remains, however, the very real difficulty of the determination of when a change in recorded values is desirable. A bulletin of the Committee in 1939 dealt somewhat with a part of this problem, but it was largely a policing bulletin to provide against abuses of re-organisational write-downs. The real problem of when a change is so important as to require a fresh start on values is not yet satisfactorily answered.

Progress has been made in a very real way, however, in dealing with cost of properties or businesses acquired by a company in exchange for its own capital stock. The use of capital stock of no par value or of capital stock with a par value far below a fair market value left open the question of full cost in such a way that frequently, perhaps usually, no attempt was made to determine or record the fair value of the property acquired. Frequently, an indicated market value of the stock issued above the book values of the properties acquired was attributed to goodwill, and not recorded, or else recorded and immediately charged off against paid-in surplus or capital. In December, 1944, the Committee discussed the problem of recording and accounting for purchased intangibles, and took the position that the fair cost thereof should be recorded and subsequently should be accounted for by charges to income or earned surplus, or not be charged off, depending on the anticipation of decline in value. While the emphasis was on intangibles, the bulletin has had its effect on the recording of tangible assets in a business acquisition at amounts related to a fair value or a fair proportion of the total cost.

This bulletin may well turn out to be a very important one in its implications on conservatism, and on continuing accountability of management to stockholders. It is another evidence of the trend in sharpening the concepts of income.

State Statutes versus Sound Principles

The variety of State laws dealing with corporations, particularly dividends, was so great that it was inevitable that the question should arise whether it was permissible to build financial statements on such laws, or whether it was not preferable for good accounting principles to control where there was a conflict. The Committee on Accounting Procedure has taken the latter position in at least two cases. In one, it held that if there were a major reorganisational write-down of assets, earned surplus or undivided profits must first be eliminated before any charges could be made against capital or paid-in surplus. This, however, was a re-statement of an earlier position of the Institute, and it remained for a later bulletin to bring out clearly the Committee's belief that good accounting sometimes required a more specific accounting treatment than the State laws required. In September, 1941, the Committee dealt with the problem of recurring or ordinary stock dividends, and held in effect that where such dividends were recurring or were a part of the dividend policy, the recording of such dividends against undivided profits or earned surplus should be not at par value alone, but at an amount which took into consideration the fair

market value of the stock issued, and the current income of the period to which the stock dividend should apply. The effect of this has been to further discourage periodic and recurring stock dividends, though it has had no effect on stock split-ups of three or two shares for one, or even less, which indeed were not intended to be covered, even though the split-up may have been effected by means of a share dividend. At least there has been a great decline in the use of the word "dividend," when all that was happening was a rearrangement of outstanding shares. This perhaps is a problem peculiar to the United States, where there is a practice of using low par value shares, or no par value shares with the assignment of a substantial portion of the consideration received from the sale of the shares to capital surplus. The pronouncement is mentioned here because it is a case where accounting principles go beyond the statutory requirements of the various States.

Accounting for Income Taxes

One of the most important of all positions of the Committee was its release in 1944 on Accounting for Income Taxes. In this connection the English reader should remember that in the United States a corporation pays taxes on income in its own right and not as agent for the stockholders, and it has been established practice to charge against income of a year the income taxes arising out of that year's income. Tax rates have fluctuated during the last few years from normal and surtax rates in 1940 of 24 per cent. to normal and surtax rates in 1946 of 38 per cent., but with excess profits taxes in the meantime to a net effect of as high as 85½ per cent. In addition, there are certain carry-back privileges for years up to and including 1946 which permit losses of one year to be applied to income of the two preceding years with re-calculation and recovery of taxes paid, as well as some other technical provisions, all of which in effect treated several taxable years as one unit. Further, it should be remembered that in the United States many reserves, customarily provided in accordance with good accounting, and other more general reserves, are not deductible for tax purposes when provided, but the tax accounting is postponed until charges or expenses are actually incurred. In years of comparatively low tax rates this variation did not seriously distort the income presentation, but in years of high tax rates the distortion could be and often was very important. Similarly, if an item of expense or income were to be excluded from the income statement, the tax effect might have to be excluded also if the income statement were not to be positively misleading. Two illustrations are probably necessary to bring out these points.

Case 1. The company sold its investment in another corporation, held for a long time, at a very large profit in relation to the other net income. The corporation, in order to avoid the possibility of misleading inferences being drawn from its statement, credited this profit direct to undivided profits (surplus) without including it in the income statement. The Committee recommended that the income tax allocable to that item be also excluded from the income statement. Losses were to be similarly treated. In the latter case, if the loss had been excluded without the allocation of the tax reduction, the result would be to show higher income for the year than if there had been no loss.

Case 2. A corporation provided a reserve of \$1,000,000.00 for post-war reconversion expenses. In 1945 it had expenses of that amount which it charged to the reserve. But the expenses were deductible for tax purposes in 1945, and resulted in a reduction of tax for 1945 of \$855,000.00. If no allocation of the tax

reduction were to be made, the income of the year 1945 would have been higher by \$855,000.00 than if no expenses had been incurred.

The bulletin of the Committee, known as Bulletin 23, was directed toward ameliorating the effects of such obvious distortions. It has been the subject of considerable criticism, was never fully accepted by the S.E.C., has been opposed by those who are more interested in showing in one item the amount of tax to be paid than in the significance of the net income showing, and yet it has continued in existence and increased its influence. It is increasingly evident that, during the current period of very high tax rates, its basic philosophy is essential if the income statements are to continue to be useful as guides to the efficiency of the management and the operations of the company.

Topical Bulletins

In general, the Committee has adopted the policy of dealing with specific problems rather than confining its issues to broad underlying philosophies. Theoretically this, perhaps, was not as sound as the alternative, but the specific problems did provide material that was concrete enough for committee operation. Further, many new problems arose during the war period that required some expression of preference if a wide variety of practice were to be avoided in a period of experience with those unprecedented items. This is the same point that was touched on previously in the discussion of the accountants' certificate and the term generally accepted accounting principles. Eight bulletins can be classified as emergency war problem bulletins, but most of these helped to build up accounting principles by stating the criteria which guided the recommendations of the Committee. A recital of the titles will be indicative of the war problems of the accounting profession.

December, 1939: Foreign Operations and Foreign Exchange.

January, 1942: Accounting for Special Reserves Arising Out of the War.

January, 1942: Accounting for U.S. Treasury Tax Notes.

September, 1942: The Re-negotiation of War Contracts.

December, 1942: Post-War Refund of Excess Profits Tax.

December, 1942: Accounting under Cost-Plus-Fixed-Fee (War) Contracts.

December, 1943: Re-negotiation of War Contracts—Supplement.

April, 1945: Accounting for Terminated War Contracts.

There seems to be no need to discuss those bulletins in detail in this paper, since they were largely peculiar to the time and place.

Current Problems of the Committee

In addition to the current problems which have been indicated in the foregoing, there are other projects before the committee, reference to which may add information on the state of accounting thought and its trend. Some of these are stated in the following:

(a) Current Assets and Current Liabilities. The term has been and is being used in so many agreements on corporate loans and securities that some authoritative definition is needed. Some accountants have believed the past thinking on the subject has resulted in certain rules which are empirical rather than logical, and current thinking is being directed to relating current assets and current liabilities to working capital, with inclusions and exclusions of items to be tested in some part at least by the availability for or reduction of working capital.

(b) Inventory pricing has been perplexing in the United States as it has been, apparently, in England. The committee believes it is making progress on recommendations which will go far toward narrowing the variety of practice in interpreting the term "cost or market whichever is lower." It has ambitions also to make some progress toward the acceptance of the idea that industries should use a common cost convention or market convention in pricing inventories, rather than follow the generally accepted current belief that almost any of the several conventions is acceptable provided that one is consistently followed.

(c) The committee is currently considering the problem of the re-statement of property amounts which have been completely charged off, where such properties continue in use to an extent significant in the over-all operation. The problem is pointed up by the privilege of short time charge-off permitted by the wartime tax laws, but is by no means limited to those "emergency facilities."

(d) The use of reserves, even with full disclosure, seems to be coming in for tightening.

Accounting Societies

In view of the fact that Dr. Sanders referred to the various organized groups interested in accounting, it is appropriate to deal for a moment with the current status.

The American Institute of Accountants continues to be the major association of public accountants, with its membership open to those with C.P.A. certificates. It has increased greatly in numbers in the last seven years, and year by year continues to be more closely associated with the associations of C.P.A.s in the various States. It will be readily admitted, I am sure, that the Institute has increased in stature and influence, not only among accountants, but among other elements of society. Also, it can be truthfully said that the more specialized groups, such as the American Accounting Association, which is made up primarily of teachers of accounting, the National Association of Cost Accountants, interested primarily in cost accounting, and the Controllers Institute, membership in which is limited to corporate controllers, have all grown in size and influence.

One activity of the Institute deserves special mention at this point. The examinations for the certificate of C.P.A. are given by the individual States, which each regulates the practice of accountancy within its borders. Through the efforts of the Institute, the variations in requirements of the various States have been gradually lessened. More than that, most States give examinations simultaneously and use a uniform examination prepared under the sponsorship of the Institute. In most of those cases, the examination papers are corrected by the Institute. Thus there is approaching a national standard for attaining a C.P.A. certificate by examination.

Accountancy Education

More and more, extensive education in accounting is being given by the colleges. So readily is this available, and so broad is the curriculum, that the profession is coming to depend on the colleges to provide the basic education in accounting. Some firms are setting a general requirement of such an education for the men hired for their staff. Some States are requiring a college education in accounting as a pre-requisite to sitting for the C.P.A. examinations.

A very important contribution to accountancy education is the recent work published by the Institute as a refresher on accounting for those who left the profession for the demands of war and are now returning. The work "Contemporary Accounting" includes chapters on

thirty-eight different subjects, each chapter written by an accountant of substantial standing. It has turned out to be a contribution to the education of many others than returned veterans.

Related to the educational programme is the work that the Institute is doing in sponsoring a major programme of research into the qualities and characteristics and personal traits that indicate accounting aptitudes, so that selection of personnel for accounting education and for public accounting organisations and firms can be intelligently made. Progress is being made in this work, but it is a long time project.

Conclusion

The public accounting profession has grown greatly in stature and in influence in the United States in the last seven years. Its present position depends a great deal on its reputation for independence of thought and impartial presentation of data, and its future depends in great measure on its maintenance of that independent position. But there are other requirements for the maintenance of that position, particularly the courage to narrow the variety of practices to make financial statements more useful and the willingness of the profession as a whole to accept the same high standards as are expected for the accounting of publicly held companies. On the other hand, it would be inappropriate to close a

discussion of the recent developments in accounting without bringing out that the courts are more and more refusing to deal with accounting questions on appeals from regulatory bodies. Particularly in a recent case, the Supreme Court of the United States reaffirmed earlier positions in stating "for a court to upset an accounting order it must be so entirely at odds with fundamental principles of correct accounting as to be expressions of a whim rather than the exercise of judgment." In this case, in addition, the court appears to many to have enlarged the judicially determined area of accounting to include a matter of regulatory commission policy rather than accounting. This tendency of the courts has possibilities for both good and bad in the orderly development of accounting principles and practices, and it may be some time before it will be apparent whether or not the regulatory commissions are dealing properly with this added responsibility. It is possible that the variety of policy in the various commissions will place on the accounting profession an increasing responsibility for the presentation of generally acceptable accounting procedures and practices.

Perhaps the following quotation from an eminent practitioner effectively summarises the developments of the recent past: "Accounting is no longer a matter between an accountant and his God—it is essentially a body of standards which must be known and followed."

Publication

Professional Ethics of Public Accounting. By John L. Carey. (American Institute of Accountants, 13, East 41st Street, New York 17, N.Y. Price \$1.50.)

"First get rich—then get ethical" is a gibe which might have had some point fifty years ago, but can hardly be applied to the accountancy profession of to-day. This book is based on the rules of professional conduct laid down by the American Institute of Accountants, and it is clear that, in the United States as well as in this country, the younger accountants are instructed on the need for a system of ethics which will raise the dignity of a profession, and thereby the individual dignity of each member of that profession. The rules relate chiefly to (a) false or misleading statements, (b) contingent fees, (c) financial interest in a client's business, (d) commission and brokerage, (e) occupations incompatible with public accounting, and (f) forecasts of earnings. Other rules deal with such matters as advertising, solicitation, competitive bidding, and offers to employees of other accountants. The author states quite frankly that the rules of professional conduct concern the self-interest of the members of the profession as well as the general question of professional dignity. The book does not argue moral questions; it does not compare the rules of the accounting profession with those of other professions, except in a few instances to illuminate the discussion.

Space will only permit of our considering, in detail, the questions of advertising and solicitation. One rule definitely states that a member or an associate shall not advertise his professional attainments or services; it sets forth the particulars which may be included in any announcement of change of address or personnel of firm, and gives exact limits to the space which may be occupied by any such announcement in the Press. Examples are given of a form of announcement which in the United States would be considered entirely proper and of a related announcement which would not be considered as in conformity with the rule. It is made clear, however,

that the rule is not intended to prevent public recognition of the personal achievements of an accountant. If an accountant writes a book, his publishers may properly advertise the qualifications of the author. If an accountant runs for political office, his party may advertise his attainments. The basis of propriety is, who pays for the advertisement. If the accountant himself pays, it is taboo.

In regard to solicitation, the rule reads as follows: "A member or an associate shall not directly or indirectly solicit the clients or encroach upon the practice of another public accountant, but it is the right of any member or associate to give proper service and advice to those asking such service or advice." It is admitted that there is no precise definition of solicitation of accounting engagements, but the author gives very sound and useful advice to young practitioners on this problem as it affects them personally.

Sufficient has been said to show that the broad principles of professional ethics in the U.S.A. do not differ from the corresponding principles in this country—though our limitation of public announcements to cases where practice is resumed following war service is considerably more restrictive than the American practice—and the book can be recommended to all readers of *ACCOUNTANCY*, and particularly to those who are in public practice, or who hope to commence practice in the near future.—R.A.W.

Books Received

- The Law of Income Tax.** By E. M. Konstam, K.C. Tenth edition. (Stevens and Sons, Ltd., and Sweet and Maxwell, Ltd., London. Price £3 10s. net.)
- The Death Duties.** By G. M. Green, LL.B. Second edition. (Butterworth and Co. (Publishers), Ltd., London. Price £2 12s. 6d. net.)
- A Concise Manual of Statistics.** By Clement Burton, A.I.M.T.A., F.S.S. (Gee and Co. (Publishers), Ltd., London. Price 15s. net.)

TAXATION**Losses Carried Forward**

There has been a considerable amount of correspondence in our contemporaries regarding the provisions of Section 22, Finance (No. 2) Act, 1945, which extends the provisions of Section 33, Finance Act, 1926.

To understand the section in question, it is well to turn first to (a) Section 33 of the 1926 Act, and (b) Section 34, Income Tax Act, 1918.

Under Section 33, where a person has in any trade . . . carried on by him . . . sustained a loss (to be computed in like manner as profits or gains under the Rules applicable to Cases I and II of Schedule D) in respect of which relief has not been given under other provisions of the Acts, he may claim that any portion of the loss for which relief has not been so given shall be carried forward and deducted from following assessments on the same trade, etc., until the loss is exhausted or until the expiry of the sixth year of assessment following the loss.

The provisions of the Section are amplified to meet the cases of (i) a business transferred to a company (Section 29, Finance Act, 1927), certain assessments under General Rule 21 (Section 19, Finance Act, 1928), cases where wear and tear allowances have ousted relief for the loss (Section 19, Finance Act, 1932), and transitional cases of farmers brought into Schedule D by Section 10, Finance Act, 1941, or Section 28, Finance Act, 1942.

An attempt was made to have the interpretation of the six years extended in *Harling v. Celynen Collieries Workmen's Institutes* (1940, 23 T.C. 558), on the grounds that since the year after a loss would have a nil assessment, the six years could not start right away. The argument failed, as the Act is clear.

If a loss has been taken into account in offsetting a profit in arriving at the basis of assessment, e.g., in a new business, it has been relieved to that extent, and so cannot be carried forward (*C.I.R. v. Scott Adamson* (1932), 17 T.C. 679). The figures in the case were as follows:

Commenced business June 1, 1929.	
Loss, 10 months to March, 31, 1930 . . .	£61
Profit, year to March 31, 1931 . . .	142
Assessment, 1929-30 . . .	Nil
1930-31 $-\text{£}61 + \frac{1}{3} \times \text{£}142 =$	Nil

But for the loss being deductible, it will be seen that there would have been profits of $\frac{1}{3} \times \text{£}142 = \text{£}47\frac{2}{3}$, and to that extent the loss has already been "used," leaving only $\text{£}37$ to be carried forward; $\text{£}24$ of the loss has been used to avert an assessment of that amount.

With the termination of the war it was realised that the strict application of the six years' time limit would give rise to grave hardship in cases where relief could not be given in the six years owing to the interference of the war with the business, e.g., the absence of the owner on war service, the war-time controls preventing the business from being carried on normally, etc.

Accordingly, Section 22 (1), Finance (No. 2) Act, 1945, provides that "Section 33 . . . and any other enactment extending, amending, or applying (it) shall, in its application to any case in which the six following years of assessment include any of the relevant years (i.e., all years from 1939-40 to 1945-46, both inclusive), have effect, and be deemed always to have had effect, as if for any reference to the six following years there were substituted a reference to those six years plus such number of the year of assessment immediately succeeding those six years as is equal to the number of the relevant

years which are subsequent to the year in which the loss was sustained."

Various interpretations have been placed on this sub-section, but it seems to us to be clear and unambiguous: if 1939-40 or a later year up to 1945-46 would be one of the six years following the year of the loss, the said years are not to be counted in the six.

Accordingly, a loss made in 1933-34 or a later year up to or including 1938-39 can be carried forward for thirteen years, if not the subject of relief earlier; and a loss incurred in 1939-40 or any later year up to and including 1945-46 can be carried forward (if necessary) for six years from April 5, 1946. The words "deemed always to have had effect" seem to have been overlooked by some of the writers.

Setting Losses Against Interest, etc.

We now come to Section 22, Sub-section (2): "Where, in any year of assessment, relief cannot be given, or cannot be wholly given, in respect of a loss carried forward under the said Section 33 because the amount of the profits . . . assessed under Case I of Schedule D for that year is insufficient, any interest or dividends on investments arising in that year, *being interest or dividends which would fall to be taken into account as trading receipts in computing the profits . . . under that case but for the fact that they have been subjected to tax under other provisions of the Income Tax Acts* shall be treated for the purposes of the application of the said Section 33 as if they were profits . . . assessed under the said Case I. . . and relief shall be given accordingly. . . ." (The italics are ours.)

To understand this sub-section, it is suggested that we must examine the position under Section 34, Income Tax Act, 1918, as it was before the passing of Section 13, Finance Act, 1937.

Section 34 provides that "where a person sustains a loss in any trade . . . he may apply . . . for an adjustment of his liability by reference to the loss and to the aggregate amount of his income. . . ."

There is no provision, as there is in Section 33 of the 1926 Act, as to how the loss is to be computed, and it was the official interpretation, prior to 1937, that a Section 34 claim could only be applied to a trading loss, i.e., a loss remaining after the inclusion of all trading income, even if taxed at source or assessable under some other case.

This often gave rise to argument as to what was trading income, the taxpayer trying to compute the Section 34 loss in the same way as for Section 33 (1926), whereas the Revenue wanted to include investment income in certain cases.

The clear-cut instances were finance companies and similar concerns.

Illustration

The profit and loss account of a finance company was as follows:

£		£	
To Expenses (all allowable) . . .	43,000	By Profit on sales of investments . . .	41,000
Debiture . . .		Interest and Dividends . . .	6,000
Interest . . .	1,000		
Net Profit . . .	3,000		
	<hr/>		<hr/>
	47,000		47,000
	<hr/>		<hr/>

Profits as for Case I:

Net Profit ...	£3,000
Debenture Interest	1,000
	4,000
Less Interest, etc.	6,000
Loss ...	£2,000

The Revenue acknowledged the right to carry forward this loss under Section 33 (1926), as they were bound to do, owing to the provision in that Section that the loss is to be computed in like manner as profits for Case I, but would not agree that the company had suffered a loss for the purposes of Section 34, as all the items in the above account are trading items.

It was somewhat absurd that a loss should be computed in different ways for different sections, and Section 13 (1937) removed the anomaly, by providing that for Section 34 the amount of a loss sustained in a trade shall, in all cases (except assurance companies carrying on life assurance business) be computed in like manner as profits for Case I.

(Those interested may like to read the arguments and judgments in *Rex v. Commissioners for the City of London*, ex parte *C.I.R. (The Exploration Co. case)*, reported in 2 A.T.C. 104, 105, where the Judges agreed with the Revenue, though the taxpayers won on the

technicality that there is no appeal from the decision of the Commissioners under Section 34.)

It seems to us that the interest, etc., envisaged in Section 22 (2), Finance (No. 2) Act, 1945, is the same type as that which formerly formed the subject of disputes under Section 34; it must be interest, etc., that would have been included in the trading profits but for the technicality that it is already taxed at source or under some other provision of the Acts, i.e., the finance type of business only will be able to claim.

Useful tests seem to be:

- (1) Look at the whole transactions of the business, not of the proprietor.
- (2) Does the interest, etc., on investments truly form part of the trading account?
- (3) Does the interest, etc., really arise from capital, employed in the business, or from invested capital not required for the business?

A temporary investment of working capital while awaiting use, an investment to secure contracts, and similar items might qualify in the case of a non-finance business, but investments of capital permanently surplus to requirements seem to us to be outside Section 22 (2).

It is a pity that fresh grounds of argument have been provided, and it remains to be seen how strictly the Revenue interpret the Section.

Taxation Notes

E.P.T. Terminal Reliefs

It is important to remember that the vendor of a business will not be entitled to relief for deferred repairs and other terminal expenses incurred after he has sold the business. This was emphasised by the Chancellor of the Exchequer's reply to a question in the House. There is, however, an exception where there is substantial identity of interest between the vendor and the purchaser; the Commissioners of Inland Revenue are empowered by Section 39 (4) of the Finance Act, 1946, to allow such relief as they think just, in respect of both terminal expenses and losses on sales of stock. This will protect those cases where a company is formed to take over a business, and the former proprietors remain the shareholders in the company, as it will protect changes in partnerships, etc. The discretion of the Commissioners will be noted.

Accounting Periods for E.P.T.

It will be remembered that accounting periods are to be determined for E.P.T. according to the rules laid down for N.D.C. by Section 20 (2) of the Finance Act, 1937, and that the apportionment, in order to arrive at the profits of a chargeable period, is to be made on a time basis, "unless the Commissioners, having regard to any special circumstances, otherwise direct." (Section 14 (1) Finance (No. 2) Act, 1939.) For instance, in the case of *C.I.R. v. Jenkins Productions, Ltd.* (23, A.T.C. 42), it was held that the accounting period was of twelve months' duration, although accounts had actually been prepared half-yearly. This did not, however, prevent the Commissioners from using those accounts in making the apportionment of the profits of the whole accounting period, in order to arrive at the profits of the standard period. This principle, of course, is equally valid in relation to a chargeable period. The Board of Inland Revenue have now ruled to the effect that this discretion will be exercised by admitting, for the purposes of arriving at the E.P.T. profits of the final chargeable period to December 31, 1946, a special account prepared

to that date, irrespective of the normal accounting period. It is not necessary to adhere to that date in the future, the only condition being that the accounts to December 31, 1946, should be prepared from full records and stock-taking. Special conditions will apply in the case of the members of a group. Where profits are rising, and the accounting period extends substantially beyond the end of 1946, it may well be that the monthly apportionment of the normal period would bring within the charge profits materially higher than the actual earnings in the final chargeable period. Having regard to the fact that stock is likely already to have been taken for the purposes of possible claims for losses on sale of stocks, the preparation of a special account may well have attractions for many businesses. This is not to infer that the value of stock may necessarily be identical for both purposes, having regard to the "global" valuation for the purposes of such a claim, which has not been established for normal use.

Post-War E.P.T. Refunds

April 5, 1947, is the last day for claiming relief under Section 44, Finance (No. 2) Act, 1945 (unless the C.I.R. extend the time in a particular case), and attention must be given to this aspect at once, as it will mean some calculation.

Normally the Refund is regarded as part of the (original) taxpayer's total income (not, it appears, trading income) for 1946-47 (Section 43), and, therefore, liable to income tax at 9s. in the £ (which is deducted at source) and to sur-tax at the higher rates provided in Section 15, Finance (No. 2) Act, 1945. (It is easy to overlook the increase in sur-tax, as it will not be effective until the tax for 1946-47 is assessed in the autumn of this year for payment on January 1, 1948.)

This might be a serious burden on a sur-tax payer, and the very valuable option is given by Section 44 to have the refund related back for the years for which the E.P.T. now refunded was paid. It is then regarded as income of the business, with all the consequential effects

on wear and tear, losses carried forward, General Rule 21 assessments, etc. For example, any part of a refund applicable to the chargeable accounting period, the year to December 31, 1944, would affect (increase) the income tax assessment for 1945-46. While income tax would be at 10s. in the £ (subject to any reliefs, etc., available), the 1945-46 sur-tax rates would apply. A simple illustration will show what might happen. This ignores any adjustments that might arise as a result of wear and tear, losses, etc., available. The taxpayer is assumed to have a constant taxed income of £2,000.

Illustration.

The E.P.T. refund is £20,000, properly attributable as follows:

C.A.P.	Refund	Year of Assessmt.	Original Assessmt. on Business	Amended Assessmt.
1.4.40-31.12.40	£700	1941/42	£5,000	£5,700
Year to 31.12.41	3,000	1942/43	4,000	7,000
31.12.42	5,000	1943/44	3,500	8,500
31.12.43	—	1944/45	8,000	8,000
31.12.44	7,000	1945/46	4,500	11,500
31.12.45	4,300	1946/47	5,500	9,800
	£20,000			

Effect on tax payable, ignoring personal, etc., allowances, which do not affect the result:—

Year of Assessment	Original			Amended			Difference + or — in Tax
	Total Income	Income Tax	Sur-Tax	Total Income	Income Tax	Sur-Tax	
1941-42	£ 7,000	£ 3,500	£ 1,019	£ 7,700	£ 3,850	£ 1,220	+ £ 551
1942-43	6,000	3,000	731	9,000	4,500	1,656	+ 2,425
1943-44	5,500	2,750	606	10,500	5,250	2,212	+ 4,106
1944-45	10,000	5,000	2,006	†10,000	5,000	2,006	—
1945-46	6,500	3,250	875	13,500	6,750	3,450	+ 6,075
1946-47	*27,500	12,375	10,900	11,800	5,900	2,953	— 14,422
	62,500	29,875	16,137	62,500	31,250	13,497	— 1,265

* Including the refund.

† Unchanged.

The tax saved by the claim is therefore £1,265.

Family Allowances

The family allowances for children, it will be remembered, are only, in normal circumstances, allowed to be drawn by the wife, but are regarded as income liable to income tax, and as such assessed on the husband. They are treated as earned income, but not for the purposes of the additional personal allowance (colloquially termed "wife's earned income relief").

Where P.A.Y.E. operates, the allowances are being automatically deducted from the allowances in the notice of coding. Care must be taken to have this excluded where the allowances are not drawn, as is often the case where the taxpayer is liable at high rates of sur-tax. For example, if the total income is over £20,000, the allowance of 5s. a week, subject to tax at 19s. 6d. in the £, becomes worth exactly 1½d. In such circumstances, it will rarely be drawn.

Cessation of Bank Interest

The decision of the banks to discontinue the allowance of interest on current accounts, towards the end of 1945, raises the question of Case III assessments on such income for the year 1946-7. Having regard to the fact that the account remains open, is it possible to say that the source has ceased to exist? It might have been expected that the Revenue would cite the case of *Cull v. Cowcher* (18 T.C. 449), where waiver of interest

was held not to affect the assessment on the normal preceding-year basis. However, it appears that appeals against such assessments are to be allowed, and the source of income will be regarded as having ceased. To what extent this savours of a concession, or the Board's view of the legal issues, we shall not require to consider.

Dividends from American Companies

Arising out of the Anglo-American Convention on Double Taxation, the United States withholding tax is reduced from 30 per cent. to 15 per cent., with effect from January 1, 1945. Claims may be made for the repayment of the excess tax deducted from dividends in the year 1945, on completion of the Form 1040 (U.K.), which may be obtained from Inspectors of Taxes, if not already supplied by, for example, the Bank of England, where the shares are held by virtue of the Defence Regulations. Such form is to be submitted to the Collector of Internal Revenue, Baltimore 2, Maryland, U.S.A. No claim will arise for the year 1946, as the over-deduction of withholding tax should have been rectified by additional remittance from the U.S.A. The question of United Kingdom income tax arises in relation

to this transaction. No deduction is made by the paying agent, and this is correct, where the dividend was paid from January 1, 1946, to April 5, 1946. For instance, if \$100, less 30 per cent. tax, was paid in that period, the sterling, at 4.035, would be:

Gross (say) ...	£24 15 0
Tax withheld ...	7 8 6
Received U.K. ...	17 6 6
U.K. income tax ...	8 13 3
Net	<u>£8 13 3</u>

The remittance of 15 per cent. of the gross U.S. dividend would be £3 14s. 3d. The liability to U.K. income tax is £24 15s. at 10s., viz., £12 7s. 6d., less the 15 per cent. withholding tax, £3 14s. 3d., leaving £8 13s. 3d., which is the amount originally deducted. If the dividend had been paid after April 5, 1946, the deduction for U.K. income tax would have been £7 15s. 11d. The liability, at 9s., would be £11 2s. 9d., less £3 14s. 3d., leaving £7 8s. 6d., so that 7s. 5d. has been overpaid, which may be claimed on application to the local Inspector.

Book Received

Central Banking. By M. H. de Kock, Ph.D. (Harvard), Governor of South African Reserve Bank. Second edition. (Staples Press, Ltd., London. Price 25s. net.)

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Excess Profits Tax—Avoidance or reduction of liability—Two partners carrying on (1) business of motor engineers and haulage contractors, and (2) that of excavating and selling gravel—Transfers to three companies—Shareholders in companies either partners or relatives—Direction by C.I.R. under F.A., 1941, Section 35, as amended by F.A., 1944, Section 33—Whether adjustments inappropriate—Whether additional contention competent although not before the Court—Income Tax Act, 1918, Section 149.

Fields and Pateman v. C.I.R. (K.B.D., June 25, 1946, T.R. 309) was a case of the same general type as *Crown Bedding Co., Ltd. v. C.I.R.*, noted in our issue of August last. The main facts are indicated in the heading. The C.I.R. were of opinion that a main purpose of the transactions was avoidance or reduction of liability, and had directed (1) that the businesses of the three companies should be treated as if carried on by the partners, (2) that no reduction should be made for rent or royalties payable to the partners or by any of the three companies to another of those companies; and (3) that the liability so computed should be a joint and several liability of all the appellants. The Special Commissioners had held (1) that avoidance or reduction of liability was a main purpose, and (2) that the adjustments as directed were not inappropriate. For some reason or other, dissatisfaction had not been expressed with regard to the first finding, but had been as to the second; but appellants had given notice that they intended to dispute the correctness of the first finding as well. This, Macnaghten, J., held that they were not entitled to do, but said that, in view of the *Crown Bedding Co.* decision, such an appeal would have been futile. On the main issue, he held that the adjustments were necessary to counteract the purpose of the transactions and were therefore not inappropriate.

Income Tax—Charitable exemption—Payment by charity to trustees of provident guarantee fund—Guarantee fund constituted to promote organisation of mutual sickness insurance associations—Associations not to be confined to indigent persons—Whether payment one for a charitable purpose—Income Tax Act, 1918, Section 37 (1) (b).

Nuffield Foundation Trustee v. C.I.R., Nuffield Provident Guarantee Fund Trustees v. C.I.R. (K.B.D., June 26, 1946, T.R. 325) arose out of one of Lord Nuffield's benefactions. The Foundation is admittedly a charitable trust in the strictest sense. In 1943-4 out of a total income of £350,225, it paid £25,500 to the trustees of a separate fund, the Nuffield Provident Guarantee Fund. This fund was established to encourage the promotion of mutual insurance associations to assist the members of such associations to meet heavy medical or surgical expenses. Membership was not to be confined to indigent persons, and the question was whether the £25,500 complied with the condition of the income tax relief, which only exempts incomes "so far as the same are applicable to charitable purposes only." The Special Commissioners had held that the exemption did not apply because the mutual associations to be formed were not charitable institutions. As against this finding, it was objected for the appellants that it only dealt with one aspect of the matter. If the associations were themselves charitable, then there was no doubt as to the right to exemption. But even if they were not, it was contended that the encouraging of them in the way the Guarantee Fund was to do was itself a charitable purpose.

Wrottesley, J., affirmed the decision of the Special Commissioners.

After a careful analysis of the relevant cases, he said that two ideas underlay Lord Nuffield's action, thrift and the consequent ability to pay for the treatment of disease, in that order. By reference to cases, he held that the encouragement of thrift by means of mutual benefit societies was not a general charitable object, and said he could not find that the Courts had been able to distinguish between a gift to start or endow such a society and the income subscribed by the member. On the prevention and relief of sickness and disease, he referred to a series of cases, and declared: "Others must reconcile, if they can, these decisions; I find myself unable to do so." It seemed possible to say that a gift to the poor directed to relief not of poverty, but of disease, was charitable, as also was the endowment of a hospital housing and curing the poor, but also providing accommodation for paying patients. Upon the other hand, it seemed possible to say that a gift to a hospital mainly catering for paying patients would not be a charitable gift. In the result, he said that it would need a higher Court to hold that such associations were charitable.

Upon the second argument that a gift to enable such non-charitable associations to get under way was charitable, he said that the real answer was that the Court had to look at the ultimate object and to decide whether the immediate object transcended the ultimate object, or *vice versa*. Here, the real object was to encourage the promotion of the associations, which, in turn, were to assist the members to meet expenditure incurred. In his view, this was not tantamount to saying that the object of the gift was to relieve sickness or promote health; and he came reluctantly to the conclusion that the appeal failed.

The second point raised by the appellants is both interesting and important; and, because of the general indecision characterising the judgment, if for no other reason, the matter will, no doubt, go further.

E.P.T.—English company with subsidiary in U.S.A.—Arrangement between U.K. and U.S.A. Governments whereby subsidiary's shares pledged as security for loan—Whether English company still beneficial owner of shares—Whether profits of U.S.A. company subject to E.P.T.

English Sewing Cotton Co., Ltd. v. C.I.R. (K.B.D., July 17, 1946, T.R. 333), arose out of a loan made to the U.K. Government by that of U.S.A. in 1941. In pursuance of the Financial Powers (U.S.A. Securities) Act, 1941, the Sewing Cotton Company, which owned over nine-tenths of the common stock of the American Thread Co., a U.S.A. company, had to hand over to the U.K. Treasury its shares in the latter. Blank transfers were to be deposited with the Reconstruction Finance Corporation of the U.S.A., and powers of attorney appointing proxies were to be given; but the transfers were not to be completed nor were the proxies to be used unless and until the U.K. Government defaulted. The dividends on the shares were to be paid to the Corporation and applied to the service of the U.K. loan, the Sewing Cotton Company giving the necessary mandate. As from July, 1941, the dividends had been so paid. Nevertheless, by virtue of the Act under which the shares had been pledged, the Treasury had to pay, and had paid, the sterling equivalent of the dividends to the company. The Special Commissioners had held

HENRY BUTCHER

AND COMPANY

... have for over Thirty Years specialised in the Sale and Valuation of Factories, Plant and Machinery. They control one of the largest permanent staffs of qualified valuers in the country, and during the past few years have conducted more auction sales of plant, machinery and equipment than any other firm. Leading factory agents and surveyors.

73 CHANCERY LANE • LONDON W.C.2
TELEPHONE: HOLBORN 8411 (8 LINES) TELEGRAMS: PENETRANCY • HOLB • LONDON

METROPOLITAN COLLEGE

NEW JUNIOR'S COURSE

This course has been designed by the Metropolitan College to meet the requirements of new entrants to professional Accountants' Offices who need quickly to acquire a sound elementary knowledge of the following essential subjects—

**BOOK-KEEPING
AND ACCOUNTS
ELEMENTS
OF AUDITING
GENERAL
KNOWLEDGE
ELEMENTS
OF TAXATION**

Apart from helping the new entrant to become a more helpful and effective member of the Staff, this course provides an excellent basis for any professional examination which may be subsequently undertaken.

Many principals have proved this course greatly to facilitate Staff Training and have found it a sound investment to enrol groups of juniors for the course.

Full particulars on request to the Secretary (A3), Metropolitan College, St. Albans.

At the November, 1946 Examinations of the Institute of Chartered Accountants (England & Wales)

**FIRST PLACE—INTER
THE INSTITUTE PRIZE
FRED WHINNEY PRIZE**

were gained by a Student of the

METROPOLITAN COLLEGE

WRITE TO-DAY for a free copy of the College Accountancy Prospectus to the Secretary,

(A3) METROPOLITAN COLLEGE,
ST. ALBANS

OR CALL: 30 Queen Victoria Street,
London, E.C.4 (Phone: City 6874)

REFRESHER COURSES
available for those returning from
NATIONAL SERVICE
FULL PARTICULARS
FREE ON APPLICATION

ST ALBANS

COMPANY FORMATION

*Leave it to
Howes**

★
Send for our booklet giving
complete information regard-
ing Company Formation

H. HOWES & Co. Ltd

Works and Mail Order Department

53-55 Mansell St., London, E.1

Branches

56 OLD BROAD STREET, E.C.2
7 BELL YARD, W.C.2

HOWCO

P.A.Y.E. Wages Books

Have been amended to meet
the new coding, applicable
from April 6th, 1947

No. SW 58

Size of leaf 12½ in. x 12 in., 45
names. Price 32/6 (inc. tax)
postage 1/- extra

No. SW 60

Size of leaf 8 in. x 13 in., 24
names. Price 27/6 (inc. tax)
postage 10d. extra

HOWCO PAY SLIPS

For easy checking of weekly
tax deductions. 28/9 per 1000

*For full range of HOWCO Wages Books send
for leaflet*

H. Howes & Co Ltd

53-55 MANSELL STREET · ALDGATE · E.1

SCHOOL OF ACCOUNTANCY SERVICES

- Specialised Tuition for the Society and Institute Examinations
(Prelim., Inter, and Final).
- Rapid Courses for Ex-Service Staff and Juniors.
- Training for the Costing and Secretarial Examinations.
- Courses for B.Com. Degree, London University.
- Tuition in nearly every educational and commercial subject.

Send for The School's General Prospectus—FREE

The School of Accountancy

As The School's London Premises have been requisitioned by the Government, all
communications should be addressed to the Glasgow Office

105 REGENT HOUSE - - GLASGOW, C.2

SHELL HOUSE, JOHANNESBURG

that the American Thread Co. had continued to be a subsidiary of the English company, and Macnaghten, J., affirmed their decision. He had, however, to deal with an additional contention.

The question whether the subsidiary relationship existed depended upon whether, in the circumstances, the appellant company remained the beneficial owner of the pledged shares. The Judge held that the case was like that of a shareholder domiciled and permanently resident in the U.K. entitled to a dividend payable abroad in foreign currency; and he held that the man who received in London the sterling equivalent was none the less the beneficial holder of the shares entitling him to the payment. To the argument that his title in the present case arose from the Act, his reply was that the company received the sterling equivalent because it was the legal owner of the shares.

The additional contention, an important one, arose out of a notice given by the company's solicitors that as the American company's profits arose neither from a trade or business carried on in the U.K. nor from a trade or business carried on by a person ordinarily resident in the U.K., they were not within the charge of E.P.T. On a preliminary objection by the Crown, the Judge held that:

"the appellant and the respondent are each of them entitled, by giving due notice in accordance with the Rules, to raise on the hearing of an appeal, any point of law which arises from the facts stated in the case."

Referring to the E.P.T. charging provisions contained in Sub-section (2) of Section 12, Finance (No. 2) Act, 1939, he said that it was argued that this did not cover the case of a foreign company carrying on its business abroad even though it be a subsidiary of a U.K. company carrying on business in the U.K. Hitherto, it had been assumed that the provisions of the Fifth Schedule, F.A., 1940, covered the position; but these were subject to the limitations of the 1939 charge, and he agreed that the proviso "subject as hereafter provided," in Sub-section (2) only applied to the subsequent sub-sections of Section 12. Using, however, an analogy derived from the motor trade, he held that in view of the relationship between a principal company and its subsidiary, it was legitimate to construe the word "agent" in Sub-section (2) as including a subsidiary company.

It would seem, although not stated in the report, that the "control" found to exist in *American Thread Company v. Joyce* (1913, 6 T.C. 163), must have ceased, and, if so, the present writer finds it difficult to understand how the American company's business can be other than its own. The analogy from the motor trade would seem to be singularly unconvincing. The case will, no doubt, be carried further.

Excess Profits Tax—Investment income—Income from patents—Patents developed in company's research department and used by subsidiary company and licensees—Patents bought and used similarly—Patent jointly owned and assigned to third party in consideration of royalties—Finance (No. 2) Act, 1939, Section 14; Schedule VII, Part I, para. 6.

C.I.R. v. Tootal, Broadhurst Lee Co., Ltd. (K.B.D., June 19, 1946, T.R. 289), arose out of decisions by the Special Commissioners in favour of the company, wherein they had held that the whole of the income arising from certain patents was income arising from "investments" within para. 6 of Part I of the 7th Schedule, Finance (No. 2) Act, 1939. The patents were of three classes, and the judgment of Atkinson, J., whereby he reversed the Special Commissioners' findings in the two main classes, whilst approving it in the third, consisted

of an examination of the facts relating to each class in the light of the principles laid down by Lord Greene, the Master of the Rolls, in *C.I.R. v. Desoutter Brothers, Ltd.* (1945, T.R. 341), noted in our issue of April last.

Lord Greene's judgment, he suggested, laid down three propositions; and these should be useful as a guide in other cases:

- (1) "If a patent is manufactured or used by the owner for the purpose of earning money, the patent is not an investment, and the money earned by its manufacture or user is not income from an investment.
- (2) "If the owner merely permits by licence others to use it, deriving no business benefit . . . other than the receipt of royalties, it may fairly be said to be an investment, and the royalties . . . income from an investment.
- (3) "If the owner of the patent earns money in both ways, the patent is not an investment for the purpose of this section."

Shorter Notices

Income Tax Case VI—Profit from letting furnished house—Lessor entitled to billeting allowance—Whether difference between billeting allowance and cost of alternative accommodation allowable as an expense in computing profits of letting.

In *Smith v. Irvine* (K.B.D., June 19, 1946, T.R. 287), the General Commissioners had decided in the respondent's favour; but, as Atkinson, J., observed, the expense claimed, although apparently admissible "somewhere," had "nothing in the wide world" to do with the rent from the furnished house. The respondent was not represented; and costs were not asked for by the Crown.

Sur-tax—Settlement—Transfer of shares to infant children in 1938 absolutely—Whether dividends thereon income of the transferor—Whether meeting of Special Commissioners properly convened—Number of Commissioners necessary to hear appeal—Income Tax Act, 1918, Sections 62 (5), 64 (2), 66, 67, 137, 230 (2)—Finance Act, 1922, Section 20—Finance Act, 1936, Section 21, Finance Act, 1938, Section 38.

Hood-Barrs v. C.I.R. (C.A., November 21, 1946, T.R. 433), was noted in our issue of June, 1945. In the Court of Appeal the claim that absolute transfers of shares to appellant's daughters were not "settlements" within Section 21 (1) of Finance Act, 1936, was again rejected, as were new arguments (1) that the meeting of Special Commissioners at which the appeal had been heard had not been properly convened, and (2) that two Commissioners did not and could not form a quorum. The second argument had already been rejected by the Court of Criminal Appeal. Leave to appeal to the House of Lords was refused. The case will be useful to the Revenue as supporting established practice.

We regret that in Taxation Notes in our last issue we did an injustice to our contributor Mr. W. B. Cowcher, O.B.E., B.Litt.—and to ourselves—in stating that every new tax case decision was not, through lack of space, reported in ACCOUNTANCY. In fact, all tax cases have for some time past appeared in our reports, though paper difficulties have on occasions resulted in some delay in dealing with the less interesting cases. We are, however, as from this issue, incorporating a new feature *Shorter Notices*, under which Mr. Cowcher will report those cases which do not merit extended treatment; this will enable the delay that has sometimes occurred to be minimised—to the general benefit of our readers.

FINANCE**The Month in the City****Break in Markets**

Boom conditions prevailed in the ordinary share markets at the beginning of January, but the market's confidence was rudely shaken by the publication of the Government's White Paper on the Economic Considerations affecting relations between Employers and Workers. Up to that date prices of even staid "blue chip" equities had been leaping by shillings a day and dealing conditions had become increasingly hectic. The measure of the boom is clearly indicated by the rise in the *Financial Times* industrial ordinary share index from the mid-December level of 134.2 to a new all-time record of 140.3 on January 16th. By January 23rd, however, the index had dropped nearly 6 points from the "high" to 134.5. Between October and the mid-January peak, leading equity shares had risen by no less than 18 per cent., completely disregarding the critical coal situation and the transport strike. The almost uninterrupted advance to that date reflected, of course, the pressure of ever-increasing supplies of money in a closed capital market. These supplies have been expanded first by the re-investment demand from the holders of railway stocks who would rather sell now and acquire new holdings than accept the prospective loss of income on the compensation stock, and later by holders of electricity supply stocks, who are faced with the same quandary since they, too, are to be compensated by reference to Stock Exchange values. The proportions of £1,100 million of railway stocks and £325 million of electricity stocks which have already been exchanged cannot be estimated, but it is doubtful whether the switching process is nearly complete as yet. It is, indeed, highly probable that despite the warnings in the White Paper, and Sir Stafford Cripps' later re-emphasis of them, the pressure of money and of the reinvestment demand has ceased to count as a market factor. Meanwhile, institutional buyers are picking up railway and electricity stocks at a discount on the take-over price, as a cheap way of acquiring gilt-edged indirectly.

Cheap Money Questions

Nothing has occurred during the past month to suggest any official change of front on the Chancellor's cheap money policy. The drive on interest rates paid to the small saver has begun with the cut in the return on Savings Certificates from £3 3s. 5d. per cent. to £2 13s. 2d. per cent. tax free as from April 1 next, though the Chancellor will actually be paying a higher rate of interest to "large savers" who take up their quota of 1,000 of the new 10s. certificates than they would receive on his 2½ per cent. loans. Mr. Dalton kept the 2½ per cent. Treasury Stock "tap" open longer than was expected, and was rewarded by some increase in "last chance" applications. But the investors' response to the latest loan showed only too clearly that the Chancellor's powers of salesmanship have been greatly weakened by growing scepticism on the part of investors about the practical limits of any further reduction of interest rates. These doubts have found their reflection in opening dealings of the new "tap" stock, which is quoted around 99½ ex the interest payment on April 1. This price is equivalent to a very small premium, after making allowance for the interest factor, but the stock cannot be described—as yet, at any rate—as an active and enthusiastic market. Meanwhile, competition from the "back door gilt-edged market"—if one may so describe the institutional buying of railway and electricity stocks—has caused rather idle and reactionary conditions in the Funds.

The Bankers Speak

Cheap money has come under considerable fire from the bank chairmen during the past month. The strongest criticisms have come from Sir Noton Barclay, the retiring chairman of the District Bank, who has declared that the entire economic structure of this country may be threatened by a financial policy based on cheap money, which "flirts dangerously with inflation." Sir Noton, indeed, went so far as to suggest that "unleashed spending, with consequent inflation, appears to be by no means remote." Some pointed remarks are also to be found in Captain Eric Smith's statement to shareholders of the National Provincial Bank. He stressed the unfavourable reactions of cheap money upon savings, and its inflationary consequences upon share values, describing Mr. Dalton's conversion operations as being "far from a true yardstick of the country's credit," but merely a reflection of the high degree of skill of the authorities. Lord Balfour of Burleigh's statement to the stockholders of Lloyds Bank has paid particular attention to the need for increased production and exports and to the dilemma in the present pattern of British overseas trade that export surpluses are being built up in the soft currencies while insufficient export earnings are being obtained in terms of hard currencies. Lord Balfour has expressed the view that on balance the reduction in the long-term rate of interest has gone as far as is consistent with "the maintenance of that wholesome relation between spending and saving which, together with increased productivity, is vital to the restoration of our economic health."

Economic Background

The market boom has drawn a veil over several of the more urgent economic problems with which the country is faced. One is the relation of wages and prices, which has been under discussion by the National Joint Advisory Council, where, it is believed, the question of a "stop" on wage increases has been considered in conjunction with a similar "stop" on increased profits. This dual approach to the wages problem may conceivably have its consequences for the equity share markets in due course. In coal, a new system of allocations for industry has been introduced, which involves a serious cut for the steel industry (among others) at a time when more steel is urgently required. Shortages of coal and other industrial materials are hampering the progress of industrial reconversion, and also the march of the export drive. Doubts are increasing about the ability of Britain to reach the projected target of 175 per cent. of the pre-war volume of exports. There is a danger that the figure will settle in the region of 130 per cent. in the last quarter of this year, and the prospective increase of competition in the export markets (particularly if the United States should experience a recession about a year from now) would obviously affect Britain's ability to balance her external account. Meanwhile, imports are running at about 70 per cent. of the pre-war volume, which is inadequate for normal levels of industrial activity and standards of living in this country. Yet the dollar credits are being used up at a very rapid rate—and largely for foodstuffs, rather than for industrial rehabilitation. From the middle of July, Britain has also to undertake the obligation of offering dollars on demand, to all holders of sterling acquired on current account. It is a formidable list of difficulties, and it is not surprising that an increasing number of suggestions have been heard during the past month that some of them could be rectified by making use of foreign manpower, some of which is to hand.

Points from Published Accounts

Dowty Equipment

A very detailed statement of the company's fixed assets position is given in the balance sheet of Dowty Equipment. Four items—patents; freehold land and buildings; jigs, dies, tools and drawings and plant, machinery, furniture, fixtures and fittings—are shown at cost. There is a second column recording the accumulated figures for depreciation and amounts written-off, and then the written-down values are stated. With precisely similar particulars provided, also in three-column form, for the previous balance sheet date it is possible to see in detail how current depreciation has been treated. It would, however, have been even more helpful had motor vehicles been given the same treatment instead of being brought in at cost less depreciation—the net figure, incidentally, being £6,665 in place of £15,661 a year earlier. With the main creditors item standing at £1,770,871, as compared with a balance-sheet total of £2,177,786, it is to be regretted that the provision for current taxation has not been distinguished from trade creditors and accrued charges, especially since the directors have adhered to modern practice by disclosing the provision for deferred taxation separately. The accounts provide an interesting example of the great changes wrought by conversion from war to peace, for the gross figure for the trading assets has come down from £3,923,947 to £1,479,601. The latter is also the net figure, whereas the former was subject to deduction of £1,934,997 for amounts received by way of progress

payments. The decline of £409,000 in the net figure has been accompanied by the disappearance of a £536,460 entry for bank loans.

Sunlight Laundries (Loud & Western)

The chairman's statement appended to the accounts of Sunlight Laundries (Loud & Western) notes that, in accordance with modern accountancy practice, provision is made for the preference dividend up to December next, and effect has been given in the balance sheet to all the recommendations set out in the directors' report. The accounts as a whole fall short, however, of modern practice, for although shares in subsidiary companies (£243,217) and loans to those companies (£393,619) account for the greater part of the assets total, no consolidated accounts are submitted. So far as profits are concerned, the omission is compensated by the intimation, in the declaration under Section 126, that all the profits of the subsidiaries (except two) have been brought to credit by way of dividend and that the losses suffered by the two in question have been fully provided for. But without a group balance sheet shareholders are left without any idea of the backing in tangible assets for their capital, and the parent company's possession of cash of £52,264 and investments brought in at £40,195—they actually have a market value of £66,547—may give only a partial view of the group's financial situation. The company will, of course, have to submit formal consolidated accounts if the Companies Bill goes through.

LAW

Legal Notes

COMPANY LAW

Winding-up—Substratum of company—Object not limited to one type of business.

In *Re Taldra Rubber Co., Ltd.* (1946, 2 All E.R. 763), by its memorandum of association the objects of T. Rubber Co., Ltd., were stated in the widest terms and included at the end of the clause, power "to enter into and carry into effect the agreement, draft of which is referred to in article 3 of the articles of association." This agreement (entered into in March 1917, on the day the company was incorporated) was for the purchase by the company of the T. rubber estate. By the last paragraph of clause 3 of the memorandum, it was provided that the various objects of the company were to be regarded as independent objects and that the name of the company was not to be taken as operating to restrict the various powers set out in the clause. For 29 years the company carried on the business of a rubber estate on the T. estate and during that period it carried on no other business except that it purchased rubber from other estates and processed it on its own estate. Pursuant to a resolution passed unanimously on March 7, 1946, the company sold the T. estate and its business therein. The circular convening the meeting for that date intimated that, if the business were sold, the liquidation of the company would be recommended, but on July 17, 1946, a resolution for the voluntary liquidation was defeated by a small majority. In August, 1946, a petition for compulsory winding-up was presented by one of the contributories on the ground that the substratum of the company had gone, as the company had been formed solely to work the T. rubber estate. It was also contended by the petitioner that the absence of any concrete scheme by those who were against

liquidation for dealing with the proceeds of the sale was a further ground for a winding-up order. Wynn-Parry, J. held (1) on the true construction of the memorandum, it was impossible to hold that the company had been formed solely to work the T. rubber estate. It had been formed partly to carry on the business mentioned in the agreement of March 30, 1917, but with the widest powers to carry on a variety of other activities. Therefore, the sale of the T. estate did not result in a destruction of the substratum, because the paramount object of the company was to carry on the business of conducting rubber estates, and was not limited to the business of carrying on the particular estate. He also held (2) that the fact that there was no concrete scheme before the Court for dealing with the proceeds of the sale was no ground for making a winding-up order.

EXECUTORSHIP LAW AND TRUSTS

Wills—Alterations—Testator's intention—Onus of proof.

It is an established principle in probate law that alterations apparent on the face of a will are to be presumed to have been made after the will was executed until evidence to the contrary is adduced. In *Re The Estate of Oates* (1946, 2 All E.R. 735), a testatrix in 1939 made her will, which was prepared by a solicitor. She gave the residue of her "real and personal estate" to her two sisters, E. and C., or the survivor of them. E. died in 1940, and in 1941 the testatrix executed another will, a home-made one. It was in almost identical terms to the earlier will, except that another executrix was appointed in place of E., and that the residue was given to C. instead of to E. and C. or the survivor of them. But in the later will the testatrix had written the two words "and personal" as an inter-

'ineation between the words "real" and "estate." The executrix of the later will contended that the will should be admitted to probate with those words. There was put in evidence a duplicate of the 1941 will, marked "Copy," which had been written out by the testatrix herself, with a similar interlineation. Jones, J., was satisfied that this document had been written before the document submitted as the will of 1941, and was in fact a draft of that will. He held that the Court was entitled to look at statements made by the testatrix before executing her will as evidence of her intention, and that as it was quite clear from the will of 1939 and the draft of 1941 that it was always the intention of the testatrix to give the whole of the residue to her sister C. in the events which had happened, the executrix had discharged the onus which was on her of establishing that the interlineation was made before the will was executed.

INSOLVENCY

Bankruptcy—Judgment debt—Order for instalments—Creditor's right to proceed by bankruptcy petition.

In *Sophian v. A. J. Clifford and Son* (1946, 2 All E.R. 733), judgment was given against the defendants in an action in the County Court for a sum amounting to £134, and judgment for that sum was entered for the plaintiff on March 5, 1945. By January, 1946, the defendants had only paid £12. A bankruptcy notice was issued against the debtor for £122. It was served on January 31, 1946. He failed to comply by February 8, thus committing an act of bankruptcy. On the same day the debtor took out a County Court summons returnable on February 19, asking for an order that the debt should be payable by instalments. The County Court Judge adjourned the summons for a month to enable the plaintiff to file a bankruptcy petition. The plaintiff did not file the petition within the month. On March 21, the debtor renewed his application for an instalment order *ex parte*, and was granted an order for payment at the rate of £8 a month. The plaintiff did not know that the application had been restored, and knew nothing of the Judge's order until May 2. On that date he filed a bankruptcy petition. The order for payment by instalments was, in the words of Scott, L.J., presiding over the Court of Appeal (hearing an appeal from an order of the Deputy Judge of the County Court) obviously inconsistent with the plaintiff's right, under the Bankruptcy Act, to proceed by way of bankruptcy notice and asking for a receiving order on its being disregarded. On June 24 the County Court Judge had refused the plaintiff's application to have the instalment order set aside.

The Court of Appeal held that the Judge, having made the original order for payment of a lump sum, became bound thereafter not to make any order under the powers conferred by the County Court Rules for payment by instalment without notice to the creditor, and, if the creditor appeared, not without hearing him on the debtor's application. The Judge ought not, without hearing both sides, to have made the order of March 21 converting the previous order for the immediate payment of a lump sum into an order for the payment of a series of small payments over a period. The effect of that order was to stultify the creditor's right to proceed by bankruptcy petition; the order must therefore be set aside.

MISCELLANEOUS

Friendly Societies—Investments—"Security."

In *Re United Law Clerks Society* (1946, 2 All E.R. 674), Evershed, J., heard an appeal by this Society—a friendly

society registered under the Friendly Societies Acts—against a refusal by the Chief Registrar of Friendly Societies to register an amendment of the Society's rules. In accordance with Section 9 of the Friendly Societies Act, 1896, Rule 42 of the Society's rules provided for the investment of the Society's funds and specified the class of investments in which they were to be invested. Apart from the amendment of the rule which gave rise to this appeal, the investments authorised did not comprehend investment in the shares of joint stock companies. The proposed amendment (due to the difficulty under present conditions of obtaining more than a low rate of interest from "gilt edged" securities) would extend the permissible range of investment so as to include a limited class of preference stocks and preference shares in companies incorporated under royal charter or by special or general Act of Parliament. In so far as the amendment comprised this class of investment, the Registrar decided that it fell outside the authority conferred by Section 44 of the Act of 1896 and was, therefore, unlawful. He therefore refused registration. The appeal was brought pursuant to Sections 12 and 13 of the 1896 Act. The sole point of the appeal was whether the word "security" in the phrase "any other security" in Section 44 (1) (e) of the Act of 1896 was meant to include any form of investment of money or must be confined to the stricter and narrower significance of debts or money claims the payment of which is "secured" or "guaranteed" by a charge on some property or by some document recording the obligation of some person or corporation to pay and so as not to include the holding of shares in limited companies which are of the nature of participations in an enterprise and do not involve the conception of a creditor-debtor relationship.

Evershed, J., said there was no doubt that to-day "security" and "securities" were not uncommonly used as synonymous with "investment" or "investments," and it was tempting in the present case so to stretch the meaning of the words. In cases relating to wills the Court had granted some latitude in construing such expressions. According to the Shorter Oxford English Dictionary, published in 1933, the most extended meaning of the word "security" is as follows:—"a document held by a creditor as guarantee of his right to payment. Hence, any form of investment guaranteed by such document." He could do no other than attribute to the word "security" as used in Section 44 (1) (e) of the Act of 1896, the narrower interpretation. That Section empowers the trustees of a registered Society, when authorised by the members, to invest the Society's funds in the Post Office Savings Bank; in public funds; with the National Debt Commissioners; in the purchase of land; or "upon any other security expressly directed by the rules of the society, not being personal security, except as in this Act authorised with respect to loans." By Section 4 of the Friendly Societies Act, 1908, the Sub-section was amended by adding the words "or in any investment in which trustees are for the time being by law authorised to invest trust funds." After hearing arguments based on the language of earlier Acts, Evershed, J., held that the narrower interpretation of "security" was the right one, and that therefore the Chief Registrar of Friendly Societies was right in refusing registration of the amendment of the rules of the United Law Clerks Society in so far as such amendment comprehended preference stock or shares in chartered or incorporated companies. Accordingly the motion must be refused.

The Emergency Acts and Orders

These summaries of emergency enactments and Orders have been published in ACCOUNTANCY since the beginning of the recent war. They are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

EXPORTS

No. 1661. *Export of Goods (Control) (Consolidation) Order, 1946.*

No. 1998. *Export of Goods (Control) (Amendment) Order, 1946.*

Previous Export Orders are revoked and consolidated, with some amendments.

(See ACCOUNTANCY, November, 1946, page 324.)

FINANCE

No. 1598. *Blocked Accounts (Authorised Investments) Order, 1946.*

Funds in blocked accounts may now be invested in any sterling securities purchased on a recognised Stock Exchange in the United Kingdom, or (in the case of Government securities) acquired by subscription, if they are not redeemable within ten years and not subject to Regulation 1 of the Defence (Finance) Regulations.

(See ACCOUNTANCY, November, 1946, page 324.)

INCOME TAX

No. 1884. *Double Taxation Relief (Estate Duty) (Canada) Order, 1946.*

No. 1885. *Double Taxation Relief (Taxes on Income) (Canada) Order, 1946.*

No. 1885. *Double Taxation Relief (Taxes on Income) (Southern Rhodesia) Order, 1946.*

Effect is given to the double taxation agreements with Canada and Southern Rhodesia. The text of the agreements is set out in schedules to the Orders.

(See ACCOUNTANCY, October, 1946, pages 299, 304.)

LIMITATION OF SUPPLIES

No. 1272. *Limitation of Supplies (Toys and Indoor Games) (No. 4) Order, 1946.*

The restrictions on toys and indoor games are continued for the six months beginning August 1, 1946. The quota is increased from 50 per cent. to 66½ per cent., and the price limits for certain toys are increased. Registered persons must make returns by October 15 in respect of the period ended on July 31, 1946.

No. 1372. *Toilet Preparations (Consolidation) Order, 1946.*

Previous Toilet Preparations Orders are revoked and re-enacted with some amendments.

(See ACCOUNTANCY, May, 1946, page 170.)

SOLICITORS

No. 1650/L.20 (1946). *Solicitors Act, 1941 (Appointed Day) Order, 1942.*

November 16, 1942, was appointed as the day on which Section 2 of the Solicitors Act, 1941, providing for the establishment of the Compensation Fund, should come into operation. The Order is dated June 18, 1942.

No. 1651/L.21 (1946). *Solicitors Act, 1941 (Appointed Day) Order, 1946.*

Section 1 of the Solicitors Act, 1941, which requires every solicitor to deliver each year to the Registrar of Solicitors an accountant's certificate, is brought into operation with effect from November 18, 1946.

(See ACCOUNTANCY, December, 1946, pages 334 and 348.)

TRADING WITH THE ENEMY

Nos. 1373, 1374, 1375. *Trading with the Enemy Orders, 1946 (Austria).*

Nos. 1386, 1387. *Trading with the Enemy Orders, 1946 (Netherlands East Indies).*

Nos. 1432, 1433, 1434. *Trading with the Enemy Orders, 1946 (Hungary).*

No. 1562. *Trading with the Enemy (Enemy Territory Cessation) (Portuguese Timor) Order, 1946.*

No. 1563. *Trading with the Enemy (Enemy Territory Cessation) (Union of Socialist Soviet Republics) Order, 1946.*

Restrictions are relaxed on dealings with persons in the countries named.

(See ACCOUNTANCY, August, 1946, page 262.)

Obituary

EDWARD FURNIVAL JONES

It was a shock to his friends in the accountancy profession to learn of the sudden death of Mr. E. Furnival Jones, F.C.A., F.S.A.A., which took place on December 26, 1946, in his seventy-first year. At the time of his death he was in office as President of the Institute of Chartered Accountants and had been carrying out his Presidential duties within a few days of his death. We extend our sympathy to the Institute on the death of its President. He had been a member of the Council of the Institute for fifteen years.

Mr. Furnival Jones commenced his career in the office of a firm of chartered accountants in London and, after taking a position in commerce, he again entered the accountancy profession and qualified as an Incorporated Accountant in 1899 when he was on the staff of Messrs. Miles, Wilkinson and Co. Later he served articles under the regulations of the Institute with Messrs. Gray, Stainforth and Co., London, and with Messrs. Craig, Gardner and Harris and became member of the Institute in 1911. The firm of Allan, Charlesworth and Co. was formed in 1920 and Mr. Furnival Jones was one of the original partners, becoming the senior partner in 1943.

Mr. Furnival Jones won the heartfelt affection and regard of all his friends. His kindly temperament was combined with much understanding both of others personally and of questions with which he was called upon to deal: and he was gifted with a whimsical sense of humour, which was stimulated by wide reading and literary pursuits.

Those who knew him well knew that his belief in education was a deep conviction. He gave unique service in the development of professional education. For a long period he was actively identified with the Chartered Accountants' London Students' Society and served on the London Members' Committee of the Institute, and he was a welcome visitor and chairman at meetings of the Incorporated Accountants' Students' Society of London. The conversations which led to the scheme offering university education to those qualifying for the accountancy profession claimed his early attention and support and he became the chairman of the accountancy representatives on the Joint Standing Committee. The President of the Society had the pleasure of welcoming him as a guest at the first Refresher Course for Incorporated Accountants who served with H.M. Forces which was held at New College, Oxford, in December, 1945.

Service on Government committees involved his travelling abroad, and he was one of the Commissioners of Church Temporalities in Wales.

Outside his professional work his interests were of a literary character and he was an accomplished and witty after-dinner speaker. His valued services were given to the Unitarian churches.

Those present at the funeral included the Vice-President (Mr. Gilbert Shepherd) and members of the Council and Deputy Secretary of the Institute, and Mr. E. Cassleton Elliott, F.S.A.A. (also representing the President of the Society), the Secretary of the Society, and the partners and staff of Messrs. Allan, Charlesworth and Co.

Society of Incorporated Accountants

Deferment—Articled Clerks

1. The Government has announced that as from January 1, 1947, articled clerks, in the 1929 and later classes, are eligible to apply for deferment from national service, in order to complete their articles. Articled clerks should ask the Registering Clerk at the time of their registration under the National Service Acts for a copy of a special leaflet N.L.11 which sets out the general arrangements for deferment.

2. The particular conditions in regard to which clerks articled to members of the Society who apply for deferment will be required to satisfy the District Manpower Board are:

- (a) that the applicant was born on or after January 1, 1929;
- (b) that the applicant entered into articles before his eighteenth birthday or within three months of the termination of any deferment he may have obtained to enable him to remain at school;
- 3. Providing conditions 2 (a) and (b) apply, deferment may be granted to articled clerks:

- (a) to cover the period of five years' articles and extended if necessary to include the first Final Examination to be held after expiration of the articles.
- (b) To include special University courses which have been arranged by the professional bodies and which cover a total period of five and three-quarter years.

Articled clerks desirous of obtaining deferment as in (a) or (b) above should apply on form N.S.294, obtainable at any local office of the Ministry of Labour and National Service.

4. Candidates who wish to undertake a University Course before entering into Articles will be required to satisfy the special conditions governing the deferment of university students, to which reference is also made in leaflet N.L.11. If they are able to secure a place at a university they will, subject to satisfactory progress, be granted deferment by the appropriate University Joint Recruiting Board to enable them to complete a three-years' course of study. On graduation they may be granted further deferment by a District Manpower Board to enable them to complete three years' Articles and to sit for the Society's Final Examination not later than the first opportunity after the expiration of these articles.

Note.—Deferment in all cases is granted only for a period of one year, and renewal is considered by the District Manpower Boards or the Joint University Boards at the end of this period. Subject to satisfactory progress and reports, deferment will then be granted for a further period of one year, when the same procedure will again be adopted.

An articled clerk deferred becomes liable for military service immediately his deferment finally terminates.

MODIFICATIONS TO THE CONCESSIONS IN RESPECT OF NATIONAL SERVICE—

ARTICLED CLERKS AND SPECIAL BYE-LAW CANDIDATES

5. In the foregoing circumstances, the Council consider that the majority of articled clerks will elect to apply for deferment. The following rulings have,

however, been announced by the Council in respect of candidates liable for national service:

- (a) Articled clerks who conform with the conditions contained in paragraphs 2 (a) and (b), but who wish to complete their national service before expiration of their articles, may do so. No part of such national service, however, will be allowed to count as service under articles and they will be required to complete the balance of the five years' service on their return to the profession.
- (b) In the case of articled clerks who were born before January 1, 1929, and who are therefore unable to apply for deferment, half of their national service will be allowed to count towards their period of articles in accordance with the terms laid down in the existing modifications to the concessions in respect of war service candidates.
- (c) The position of Special Bye-Law candidates is subject to review, but for the present, half their period of national service will be allowed to count towards the total professional qualifying service required.

COUNCIL MEETING

THURSDAY, JANUARY 23, 1947

Present: Mr. F. Woolley, J.P. (President) in the chair; Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, J.P., Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, M.A., Mr. C. A. G. Hewson, Mr. Walter Holman, J.P., Sir Thomas Keens, D.L., Mr. D. R. Matheson, M.A., LL.B., Mr. A. E. Middleton, Mr. Bertram Nelson, J.P., Mr. T. Harold Platts, Mr. R. E. Starkie, Mr. Joseph Stephenson, O.B.E., Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary) and Mr. I. A. F. Craig (Assistant Secretary).

Apologies for non-attendance were received from: Sir Frederick Alban, C.B.E. (Vice-President), Mr. John Ainsworth, M.B.E., Mr. Robert Bell, Mr. A. B. Griffiths, Mr. Alexander Hannah, Mr. James Paterson, Mr. F. A. Prior, Mr. Percy Toothill, Mr. Joseph Turner, Mr. A. H. Walkey, and Mr. R. E. Yeabsley, C.B.E.

THE LATE MR. E. FURNIVAL JONES, F.C.A., F.S.A.A., PRESIDENT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS

The Council received with great regret intimation of the death of Mr. E. Furnival Jones, and adopted the following Resolution by rising:

The Council express to Mrs. Furnival Jones and the members of her family and to the Institute of Chartered Accountants their heartfelt sympathy on the death of Mr. Edward Furnival Jones, F.C.A., F.S.A.A., President of the Institute. The members of the Council record their appreciation of Mr. Furnival Jones's great service to the accountancy profession and the high personal regard they entertain for him.

COUNCIL

Mr. Joseph Turner, Manchester, having retired from public practice, tendered his resignation as a member of the Council. The Council adopted the following resolution:

The Council accept with much regret the resignation from the Council of Mr. Joseph Turner, of which he had been a member for ten years. The Council place on record their high appreciation of Mr. Joseph Turner's services to the Manchester District Society and as a member of the Society's Council, and particularly of his sustained work as a member of the Examination and Membership Committee.

Mr. Leonard Cecil Hawkins, Fellow, London, Comptroller, London Passenger Transport Board, and Mr. Henry Smith (Messrs. Fred A. Fitton, Wilson, Smith and Martin), Fellow in public practice, Manchester, were appointed to fill occasional vacancies on the Council. Their names will come before the members for election at the Annual General Meeting in May, 1947.

ACCOUNTANTS' JOINT PARLIAMENTARY COMMITTEE

The Council approved a proposal that the joint committee of the accountancy bodies which had been considering matters arising from nationalisation of the coal industry should be known as the Accountants' Joint Parliamentary Committee, with extended terms of reference.

RESIGNATIONS

The following resignations were accepted:

Bennett, Frank Hefford (Fellow), Kingswood, Surrey.
Bindloss, Robert Hugh (Fellow), London.
Briar, Maurice Walton (Associate), London.
Cleveland, Arthur (Fellow), Knebworth, Herts.
Ednie, Andrew (Associate), Bedford.
Harrison, William Arthur (Associate), London.
Kellie, Henry Alan (Associate), Cheam.
Kimber, Gilbert Frank Patey (Associate), Wallington.
Lewis, Henry John (Associate), London.
Neilson, Ben Gilmour (Associate), Brooklyn, New York.
Page, David George (Associate), Twickenham.

DEATHS

The Council received with regret intimation of the death of each of the following members:

Catley, Clare, M.B.E. (Associate), Scarborough.
Crosfield, Frederick William (Associate), Stockport.
Davies, David, B.A. (Associate), Cardiff.
Drake, Harry Grimshaw (Associate), Huddersfield.
Hall, Cedric Herbert (Associate), London.
Hastings, Albert, C.B.E. (Associate), Birmingham.
Hitchmough, Ernest Chambers (Fellow), Cork.
Holliday, Charles Sandland (Fellow), Leeds.
Jones, Edward Furnival (Fellow), London.
Kempster, Harold Gell (Fellow), Brighton.
Light, Dennison George (Associate), London.
Morrison, James Thomson, J.P. (Fellow), Glasgow.
Oldfield, John William (Associate), Halifax.
Thurston, Charles Reginald (Associate), Kuala Lumpur, F.M.S.
Wood, William James (Fellow), Perth.
Young, Reginald (Associate), Salisbury.

RESULTS OF EXAMINATIONS

NOVEMBER, 1946

Passed in Final

Alphabetical Order

ASHTON, CEDRIC HERBERT, Clerk to P. A. H. Bromwich, Leicester.
BRAINE, WILLIAM JOHN, Clerk to W. H. Payne and Co., London.
BRAY, JOHN LIONEL, Clerk to Nicholson, Beecroft and Co., London.
BURDGE, LEONARD HENRY, Clerk to W. Fisk, Borough Treasurer, Maidstone.
CHANDUWADIA, JEHANBUX SHAVAKSHA, B.Com., Clerk to S. B. Billimoria and Co., Bombay.
CHILCOTT, JOHN BOWERING, Clerk to J. and A. W. Sully and Co., Bridgwater.
COEL, RONALD ERNEST, Clerk to Nicholson, Beecroft and Co., London.
COOKE, CYRIL NORMAN, Clerk to B. T. Davis and Co., Birmingham.
CUMMINGS, WILBUR, Clerk to Martin Shaw, Leslie and Shaw, Belfast.
DEIGHTON, JOHN, Clerk to Victor Walton and Co., Leeds.
DODD, KENNETH STANLEY, Clerk to Blease and Sons, Liverpool.
DUFFELL, NELLA RITA, Clerk to Nevill, Hovey, Gardner and Co., Hove.
EVANS, DAVID GRAHAM, Clerk to A. W. Phillips (Phillips and Trump), Cardiff.
HARRISON, JOHN CANNELL, Borough Treasurer's Department, Bacup.
HARRISON, JACOB FRANK, Clerk to Page, Burne and Black, Liverpool.
HEPWORTH, STANLEY, Borough Treasurer's Department, Huddersfield.
JERMYN, HENRY CECIL, Clerk to William C. Ribbeck and Co., Dublin.

KENT, REGINALD JOHN, Clerk to J. Paterson Brodie and Son Stoke-on-Trent.

KENWORTHY, HAROLD WILLIAM, Clerk to Keens, Shay, Keens and Co., Leighton Buzzard.

KIRKMAN, NORMAN, Clerk to Starkie and Naylor, Leeds.

LAUNDY, JOHN CHARLES ARTHUR, Clerk to Rawlinson and Hunter, London.

McCULLAGH, WILLIAM, Clerk to Partill and Co., Dublin.

McILHERENE, ALEXANDER, Clerk to James Baird and Co., Coleraine.

McLACHLAN, GORDON, B.Com., City Chamberlain's Department, Edinburgh.

MARSDEN, KEITH, Clerk to Agnew G. Ogden (Jacques and Stirk), Keighley.

METCALF, KENNETH LABRON, Clerk to Horsfield and Smith, Bury.

MORTON, MORRELL, formerly Borough Treasurer's Department, Loughborough.

O'REILLY, HUGH JOHN JOSEPH, Clerk to Deloitte, Plender, Griffiths and Co., London.

PAYLING, HAROLD EDWARD, Clerk to F. W. T. Mills, Wakefield.

PERRY, GEORGE HENRY, Clerk to Rawlinson, Allen and White, Belfast.

POLLARD, LESLIE ARTHUR, Clerk to Gladstone, Titley and Co., London.

RANDLES, KENNETH HAROLD, Clerk to W. S. Tomlinson, Newcastle, Staffs.

ROBINS, PHILIP, Deputy Treasurer, Urban District Council, Chertsey.

SCARFF, KENNETH FREDERICK, Clerk to Deloitte, Plender, Griffiths and Co., London.

SHEPHERD, GEORGE, B.A., Borough Treasurer's Department, Hyde, Cheshire.

SMYTH, JAMES ROWE, Clerk to Alfred Tongue and Co., Manchester.

STAPLETON, PERCY LEONARD, Clerk to Barton, Mayhew and Co., London.

STARKE, DONALD BRACKLEY, Borough Treasurer's Department, Twickenham.

STUBBS, JOHN HAROLD, Clerk to W. H. Grigg and Perkins, Bristol.

WALTON, ROBERT, Clerk to A. France and Co., Leeds.

WEIR, WILLIAM NOEL, Clerk to J. Oakley Worrall, Liverpool.

WILSON, ERIC THOMAS ULLATHORNE, City Treasurer's Department, Leicester.

WOOD, JOHN BENNETT, Clerk to Thomas Hayes (Thos. Hayes and Sons), Leeds.

YOUNG, GEORGE WILLIAM, Clerk to Price, Waterhouse and Co., London.

SUMMARY OF FINAL

Candidates Passed	...	...	...	...	...	44
Candidates Failed...	...	...	...	...	...	107
Candidates sat	...	...	...	...	...	151

Passed in Intermediate

Order of Merit

KING, CHARLES WILLIAM, Deputy Borough Treasurer, Barnes, London. (*First Place Certificate.*)
PROCTER, JOHN, County Accountant's Department, Durham. (*Second Place Certificate.*)
DUNLOP, THOMAS ALEXANDER, Clerk to C. J. Dalton (Wm. C. Ribbeck and Co.), Dublin. (*Third Place Certificate.*)

Alphabetical Order

ABBOTT, ERNEST, Clerk to Harper, Kent and Wheeler, Shrewsbury.
ATKINSON, LIONEL, Deputy Borough Treasurer, Morley, Yorkshire.
BATEMAN, ALAN GEORGE, Clerk to Flint and Thompson, Birmingham.
BLOOMFIELD, LEONARD JOSEPH, formerly District Audit Department, Ministry of Health, London.
BRADBURY, GEORGE PHILIP, Clerk to Nicholson, Beecroft and Co., London.
BRADY, STANLEY GEORGE, Borough Treasurer's Department, Stoke Newington, London.
BRITO-MUTUNAYAGAM, ARCHANGEL LOUIS BENJAMIN, B.Sc., formerly Clerk to S. R. Mandre, Bangalore.

BROWN, JOHN HENRY, Clerk to Pelham A. S. Plunkett (R. A. Forbes and Co.), Llandudno.

BRYANT, ALAN JOHN, Clerk to H. Tudor Hughes (H. Tudor Hughes and Knight), Colwyn Bay.

BUSH, BASIL GEORGE, Borough Treasurer's Department, Folkestone.

CHAITANYA, YEDAVALLI SRI KRISHNA, formerly Clerk to R. B. Shah, Calcutta.

COGGINS, FRED, Borough Treasurer's Department, Blackburn.

COLLINS, JAMES KEVIN, Clerk to J. P. G. Coyle (Coyle and Coyle), Dublin.

CRIDDLE, ALAN, Clerk to L. G. F. Waddington (Watson, Waddington and Sharp), Doncaster.

CRIMES, STANLEY WILLIAM, Clerk to Harold Bowers (Alfred Nixon, Son and Turner), Manchester.

CROOM, GEOFFREY LLEWELLYN, Clerk to H. P. Gregory (Arthur B. Watts, Gregory and Co.), Cardiff.

DAVIS, PATRICK DENIS, Clerk to Gerald J. Moore, Dublin.

DAWSON, ARNOLD MATTHEW, Borough Treasurer's Department, Smethwick.

DHAWAN, JAGDISH, Clerk to B. M. Chatrath and Co., Lahore.

DICKINSON, JOHN BRIAN, Clerk to John King and Son, Wigan.

EVERETT, LESLIE WALTER, Clerk to J. W. Richardson (Wells, Richardson and Co.), Sheffield.

GARDINER, ANTONY, Clerk to Dorab R. Davar (Cornelius and Davar), Bombay.

GILL, RAYMOND JOHN, Clerk to Trevor Davies and Co., London.

GORDON-BROWN, ROBERT STANLEY, Clerk to Wykes and Co., Leicester.

GOSLING, ALFRED FREDERICK, Clerk to Howard, Howes and Co., London.

GRINYER, LESLIE SYDNEY, Clerk to Charles Wakeling and Co., London.

GWILT, ARTHUR, Clerk to C. D. Harrison (John Potter and Harrison), Blackpool.

HAIGH, JOHN DESMOND, Clerk to Armitage and Norton, Bradford.

HALDER, SUSHANTA KUMAR, M.A., B.Com., formerly Clerk to S. N. Mukherji, Calcutta.

HAMILTON, FRANCIS, Clerk to J. S. McNutt (McNutt and McLarnon), Sligo.

HAWORTH, WALTER, Borough Treasurer, East Retford.

HEDGES, HERBERT CHARLES, Clerk to Poppleton and Appleby, London.

HOPE, DAVID EPHRAIM, Clerk to Cyril J. Auerbach, Reading.

HORSTEIN, MONTY BERNARD, Clerk to Homfray Ogle (Newman, Ogle, Bevan and Matthews), London.

HOWARD, GORDON RAYMOND, Clerk to Tudor Davies, Bridgend, Glam.

HUDSON, ERIC, Clerk to L. W. Gibson (Waters and Atkinson), Morecambe and Heysham.

HUGHES, JAMES BERNARD POPE, City Treasurer's Department, Leicester.

HUTTON, JACK CHARLES, Clerk to Wm. F. Smart, Son and Bloor, London.

JENKINS, FREDERICK RONALD, Clerk to Lord, Foster and Co., London.

KHARAS, HOMI DOSABHAI, B.Com., Clerk to S. B. Billimoria and Co., Bombay.

KIMCHE, JAMES, Clerk to Gerald Classick and Co., Manchester.

LARMOUR, HUGO NEAM, Clerk to C. P. McCarthy, Cork.

LEWIS, ELWYN, Clerk to W. M. Howell, Merthyr Tydfil.

LLOYD, REX LEWIS, Clerk to Crombie, Lacon and Stevens, Wolverhampton.

McCOMBE, BARBARA BRAMWELL, M.A., B.Com., Clerk to Lithgow, Nelson and Co., Liverpool.

McCROSSAN, EDITH SARAH ELSIE, Clerk to Swallow, Crick and Co., Peterborough.

McHUGO, DOMINIC VINCENT, Clerk to C. N. Walter, Lester and Co., London.

MACKINNON, JOHN GRANT, Clerk to H. E. A. Addy (Muir and Addy), Belfast.

MAJUMDAR, SUNIL CHANDRA, B.A., formerly Clerk to Ford, Rhodes, Thornton and Co., Calcutta.

MUKERJEA, PASHUPATI NATH, B.Sc., formerly Clerk to P. K. Ghosh and Co., Calcutta.

MURTI, VENDANTAM GOPALA KRISHNA, B.Sc., formerly Clerk to Sastri and Shah, Madras.

NICHOLAS, RAYMOND TREVOR, Clerk to C. T. Stephens (W. Clark and Stephens), Newport, Mon.

NUNN, DAVID MICHAEL, Clerk to Nunn and Nunn, London.

OTLEY, PETER RICHARD, Clerk to A. F. Girling (J. W. Wilkinson and Co.), Doncaster.

PELLING, DENNIS ARTHUR, Clerk to Brooks and Co., London.

PUGH, RICHARD HENRY CROMMELIN, Clerk to Thomas W. Abbey, Borough Treasurer, Buxton.

RAIJI, VASANT NAISHAD, formerly clerk to N. M. Raiji and Co., Bombay.

REYNOLDS, SIDNEY, Clerk to T. V. Nuttall (Stephenson, Nuttall and Co.), Newark-on-Trent.

ROSEN, GERALD, Clerk to Frank W. Turquand (Turquand, Turquand and Co.), London.

SKERMER, RONALD, Clerk to Sydney Dent (Jones and Dent), Stockport.

STANBERRY, ARTHUR WILLIAM GEORGE, Clerk to Finnie, Ross, Welch and Co., London.

STOCKS, NORMAN, Clerk to Squire Garner (Willett, Son and Garner), Manchester.

STUBBENS, ROGER HERBERT, Clerk to Slater, Dominey and Swann, Cambridge.

SULLIVAN, LAURENCE, Clerk to Singleton, Fabian and Co., London.

VAN DER HELSTRAETE, MARCEL LAURENCE, Clerk to Allen, Baldry, Holman and Best, London.

WALLACE, THOMAS HENRY, Clerk to P. Stanley Bass (Lawther, Bass and Co.), Belfast.

WALLER, ALBERT JOSEPH, Clerk to Carter, Clay and Lintott, London.

WALSH, MICHAEL, Clerk to Alfred Laban, Son and Co., London.

WILSON, JOHN, Clerk to Atkinson and Boyd, Belfast.

WILTSHIRE, GEORGE HENRY, Clerk to Edmonds, Casey and Co., Portsmouth.

WOOLDRIDGE, ERIC, Deputy Borough Treasurer, Hemel Hempstead.

SUMMARY OF INTERMEDIATE

Candidates awarded Honours	...	...	...	...	3
Candidates Passed	...	...	...	...	71
Candidates Failed	...	...	...	...	98
Candidates sat	...	...	...	...	172

Passed in Preliminary

Order of Merit

STONE, JOHN DUNCAN, 104, Royal Navy Avenue, Keyham, Plymouth. (First Place Certificate and Prize.)

Alphabetical Order

BAKER, ALAN JOHN, 36, Abbott's Way, Portswood, Southampton.

BROOKES, DONALD BROOKSBY, 44, Brecks Lane, Rotherham.

BUDD, TONY WILLIAM PETER, 90, Cardinal Avenue, Kingston-upon-Thames, Surrey.

BUSTARD, GEORGE DAVID, 2A, Summerhill Park, Knock, Belfast, N.I.

CROMIE, WILLIAM JOHN, 12, Josephine Street, Belfast, N.I.

CROWTHER, GORDON HEALEY, 55a, Ravensknowle Road, Moldgreen, Huddersfield, Yorks.

DAWSON, WILLIAM THOMPSON, 9, Moltke Street, Donegall Road, Belfast.

GLOVER, JOHN DEREK, 10, Third Street, Low Moor, Bradford, Yorks.

HARFIELD, DENNIS REGINALD, 17, Shadwell Road, North End, Portsmouth.

HEWARD, KENNETH STANLEY, 115, Mackenzie Road, Beckenham, Kent.

KIRKPATRICK, THOMAS, 13, Cliftonville Drive, Belfast, N.I.

LANE, HENRY JOHN NOXON, 8, Franchise Street, Chesham, Bucks.

MAIRS, GEORGE CHARLES, 29, Rosapenna Drive, Belfast, N.I.

O'HARA, THOMAS JOHN SMYLTIE, 111, Oldpark Road, Belfast, N.I.

OWEN, JOHN FRANCIS, 30, Mount Pleasant, Chesterton, Staffs.

PALMER, GEORGE LAWSON, 33, Glover Street, Craigie, Perth.

PINDER, THOMAS ELWOOD, 71, Brooke Street, Cleckheaton, Yorks.

PITMAN, MAURICE PETER, 15, Gerston Road, Paignton, Devonshire.
 POWELL, JOHN JOSEPH, Normanhurst, Pitchcomber, Nr. Stroud, Glos.
 REYNOLDS, GORDON ALBERT, Abberley View, Lye Head, Bewdley, Worcs.
 ROSENBLOOM, BERNARD, 25a, Quantock House, Stamford Hill, London, N.16.
 SENIOR, ARNOLD OLDROYD, 123, St. George's Square, London, S.W.1.
 SMITH, CYRIL WILLIAM FREDERICK, 22, King's Road, Bebington, Wirral, Cheshire.
 STANTON, EDWARD ALBERT, 10, Springfield Road, Walthamstow, London, E.17.
 STOKES, HAROLD NELSON, 58, Cooper Street, Middlesbrough, Yorks.

SUMMARY OF PRELIMINARY

Candidates awarded Honours	...	...	...	...	1
Candidates Passed	...	...	...	...	25
Candidates Failed...	...	...	...	...	35
Candidates sat	...	...	...	...	61

EXAMINATIONS, MAY, 1947

The next examinations of the Society will be held on Tuesday, Wednesday and Thursday, May 13, 14 and 15, 1947, at London, Manchester, Leeds, Cardiff, Glasgow, Dublin and Belfast, and (for South African candidates) in Cape Town, Durban and Johannesburg.

Application forms may be obtained from the Secretary of the Society at Incorporated Accountants' Hall. Completed applications, accompanied by all relevant supporting documents and the fee (Final £3 3s., Intermediate £2 12s. 6d., Preliminary £2 2s.) must be received not later than Tuesday, March 18, 1947.

Dinner at Bradford

The Incorporated Accountants' Bradford and District Society held an informal dinner at the Great Northern Victoria Hotel, Bradford, on November 29. Mr. A. N. Buckley, A.S.A.A., President of the District Society, presided, and the company included the Lord Mayor of Bradford (Alderman T. I. Clough); the Mayor of Halifax (Councillor C. H. Lucas); Mr. F. Woolley, J.P., F.S.A.A., President of the Society of Incorporated Accountants and Mr. A. A. Garrett, Secretary; Mr. Victor Walton, F.C.A., President of the Leeds and Bradford Society of Chartered Accountants; Mr. H. H. Blackburn, F.C.A., representing Bradford Chamber of Commerce; Mr. R. B. Graham, M.A., Headmaster of Bradford Grammar School; Mr. E. C. Burnell, Incorporated Law Society, Bradford; Mr. J. Shaw, Institute of Bankers; Mr. W. J. Davidson, Senior Inspector of Taxes; Mr. G. O. W. Pickard, President of the Incorporated Accountants' District Society of Yorkshire and Mr. A. J. Ingram, President of the Newcastle-upon-Tyne District Society.

Mr. E. Longbottom, Vice-President of the District Society, proposed the toast of "The Municipalities and Trade of Bradford and District," to which the Lord Mayor of Bradford (Alderman T. I. Clough) and the Mayor of Halifax (Councillor C. H. Lucas) responded.

The Lord Mayor of Bradford, a keen educationalist, commended the accountancy profession on its very strong stand in that field. The Mayor of Halifax, in a speech punctuated by a good deal of humour at the expense of accountants in relation to the business man, expressed his town's appreciation of the fact that the Bradford District Society's President (Mr. Buckley) was a Halifax member.

Mr. A. N. Buckley, President of the Bradford District Society, proposing the toast of the Society of Incorporated Accountants and Auditors, said all in the profession regretted that conditions arising out of the war had prevented the Society last year from celebrating its Diamond Jubilee in the manner they would have liked. But the occasion brought to memory, among the older members especially, recollection of the great work done in its initial years by Sir James Martin, first Secretary and later President over many years. The Society's motto, meaning reliability and integrity, was one they all desired to live up to, and in their present leader, Mr. Woolley, they had a personality who had given long and valuable service in that regard. (Applause.)

Mr. F. Woolley, President of the Society of Incorporated Accountants, responding, supplemented the Chairman's reference to Sir James Martin by an appreciative reference to another of the Society's most valued leaders of the past, the late Mr. William Claridge, of Bradford, whose family association with the Society was still being carried on by his son, Mr. C. E. Claridge (who was present at the dinner) and his daughter, Miss Hilda Claridge. The Society's Refresher Courses for returned servicemen had been highly valued, and it was felt that a continuation of refresher courses of some kind would be found beneficial for the future in maintaining the qualities of keenness and the right outlook as well as professional knowledge.

The prospective legislation to co-ordinate the profession had the approval of the overwhelming majority of all concerned. The stage now reached in the negotiations, important as it was, was not the final word; but he felt sure that, once the Bill had secured approval of the Board of Trade and could be put forward as an agreed measure, there should be no serious obstacles in the way when it had to run the gauntlet of the House of Commons, though perhaps they need hardly expect it to come out exactly in the same state as it would go in. The passing of this Bill would place accountancy on a footing which it had sought for many years. (Hear, hear.)

Referring to the scheme for associating a university degree with the service of articles of clerkship, Mr. Woolley paid tribute to the spirit of co-operation between the representatives of the universities and of the three accountancy bodies. The scheme, he pointed out, would be optional—it might not be practicable in the case of every student or every employer—but it was hoped it would commend itself sufficiently to be utilised to the fullest possible extent. Already a most encouraging number of entries had been made, giving great hopes for the success and growth of a scheme which, he suggested, had opened the door to very great things for accountancy.

In times like the present, when changes of a major character were taking place in so many directions, it was not unnatural that even accountants should ask what was ahead. "I make no prophecy," said Mr. Woolley, "but I am sure that so long as our Society and the other professional bodies of accountants maintain the standards which they have set for themselves in the past and so greatly achieved, so long as we still aim at knowledge of our work, reliability in its execution, and integrity beyond question, so long in my judgment there will be nothing to fear in the future for the accountancy profession." (Applause.)

A toast to "Kindred Societies and Professions" was given by Mr. F. Dean, A.S.A.A., Hon. Secretary of the Bradford Society, and responded to by Mr. R. B. Graham, M.A., Headmaster of Bradford Grammar School.

DISTRICT SOCIETIES AND BRANCHES

LONDON

In connection with the dinner and dance to be held at the Café Royal on Friday, February 21, all members of the London and District Society should have received a separate notification giving complete details and methods of applying for tickets. Any member who has not received such a notification is requested to advise the secretary of the London and District Society as soon as possible.

LONDON AND DISTRICT AND LONDON STUDENTS' SOCIETIES

Joint Programme of Lectures, Spring Session, 1947

- January 23. "Public Speaking," by Mr. Arthur Duxbury.
 February 6. Ten-Minute Papers by Student Members on Auditing.
 February 20. "The Law Relating to Cheques," by Mr. John Tonkyn, Barclays Bank, Ltd.
 February 27. Lecture-Discussion: "Handwritten v. Mechanised Records."
 March 6. Lecture-Discussion: "Methods of Accounting at Ford Motor Co., Ltd.," by Mr. L. W. Smith, A.S.A.A., Chief Accountant.
 March 14. "E.P.T. Terminal Provisions," by Mr. A. Stuart Allen, F.S.A.A.
 March 20. "Construction of Executorship Accounts," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.
 April 10. "Current Investment Problems," by Mr. Roland Bird, Assistant Editor, *The Economist*.
 April 17. Lecture-Demonstration: "Burroughs Machine Accounting," by Mr. T. A. J. Sadler.
 April 25. Demonstration: Mock Shareholders' Meeting.

The meetings will be held at 6 p.m. in the Hall of the Chartered Insurance Institute, 20, Aldermanbury, E.C.2.

NOTTINGHAM, DERBY AND LINCOLN

Mr. Arthur Radford, B.Sc.(Econ.), of University College, Nottingham, gave a lecture on "Economics" on January 3. Mr. Radford said that the great change now in progress was the extending of the control of resources through the State, thus restricting control by private enterprise—or, as he preferred to call it, by the market. The State itself was the result of private enterprise in the political field. It was not a new institution but was being used to a greater extent. We were living in an experimental period, and some dislocation was inevitable when 20 million people, allocated to jobs during the war, had to be allocated to new jobs.

GLASGOW STUDENTS' SOCIETY

A meeting of the Glasgow Students' Society was held at Glasgow on January 14. Mr. Robert Fraser, F.S.A.A., presided over a large attendance.

Mr. D. R. Matheson, LL.B., F.S.A.A., President of the Scottish Branch, spoke on "Preparations for the Examinations." After describing several classes of examinees, he went on to give valuable suggestions of how several of the subjects should be attacked in the course of study. In this connection he recommended candidates to read and note carefully special articles in the Society's journal *ACCOUNTANCY*. At the close of the lecture a number of questions were asked and answered by the lecturer. Mr. James Paterson, Secretary of the Scottish Branch, moved a vote of thanks to Mr. Matheson.

INCORPORATED ACCOUNTANTS' LODGE

The 100th meeting of the Incorporated Accountants' Lodge will be held on March 4, 1947, at Freemason's Hall, London, W.C.2. The Secretary is Mr. A. S. Darr, 40, Eagle Lane, Snaresbrook, E.11.

PERSONAL NOTES

Messrs. W. Claridge & Co., 16, Leeds Road, Bradford, announce that they have admitted into partnership Mr. W. G. Barker, M.B.E., A.C.A., and Mr. A. H. Hainsworth, A.C.A. The firm name will be unchanged.

Mr. J. R. Davison, Incorporated Accountant, has commenced public practice at Waverley Chambers, Kirkgate, Huddersfield.

Messrs. Gedge, Hott & McLeod, of 14, Bedford Row, London, W.C.1, have admitted into partnership Mr. A. C. Simmonds, A.S.A.A., who has recently returned from H.M. Forces.

Mr. G. W. Welch has entered into partnership with Mr. F. G. Foley. The practice will be carried on under the name of Welch & Foley, Incorporated Accountants, at 66, Victoria Street, London, S.W.1.

Mr. Harold F. Joy, Incorporated Accountant, of 28, St. Thomas Street, Weymouth, has taken Mr. E. G. Lane, Incorporated Accountant, into partnership. The practice will be carried on from the same address under the style of Joy, Lane & Co.

Mr. W. G. Evans, Incorporated Accountant, has commenced public practice at 443, Newport Road, Cardiff.

Messrs. Cassleton Elliott & Co. announce that Mr. W. D. Russell, A.C.A., has retired, by mutual consent, as from September 30, 1946, from the partnership in Accra and Kumasi, Gold Coast Colony. As from October 1, 1946, Mr. H. W. Long, F.S.A.A., for many years the partner in the firm at Lagos, has been appointed resident partner for the West African practice of Cassleton Elliott & Co., carried on at Lagos and Jos, Nigeria, Accra and Kumasi, Gold Coast Colony, and Freetown, Sierra Leone.

Mr. R. H. Hughes, Incorporated Accountant, has commenced public practice on his own account at 172, Leicester Street, Wolverhampton.

Mr. Alfred H. Silverman, A.S.A.A., has been appointed secretary of the United Synagogue, with effect from January 1, 1947. He was formerly chief assistant.

REMOVAL

Mr. T. A. Gittins, Incorporated Accountant, has removed his offices to 28, Salop Road, Oswestry.

OBITUARY

JAMES THOMSON MORRISON

We regret to report the death of Mr. James T. Morrison, J.P., F.S.A.A., formerly Town Chamberlain of Coatbridge, which took place on January 3, 1947. Mr. Morrison became a member of the Society in 1912, and for twenty-one years was an active member of the Scottish Council and took a keen interest in the work of the Society in Scotland.

APPOINTMENTS VACANT

THE SUDAN GOVERNMENT invites applications for appointment to four posts on the Financial Secretary's General List in the Sudan Civil Service.

A Qualified Accountant is required to reorganise the accounts of the Agriculture and Forests Department. Experience of Forestry accounts will be a distinct advantage. Age 35-40. Appointment will be on short term contract for a minimum period of two years. Salary, £E.1,200—£E.1,400 according to qualifications and experience. (£E.1 = £1 0s. 6d.)

A Qualified Accountant with teaching experience is required to coach Sudanese book-keepers taking correspondence courses for the Intermediate examination of certain accountancy bodies in the United Kingdom. He may also be called upon to assist in the Accounts Section of the Finance Department or in the Audit Department. Age 30-35. Appointment on short term contract for a period of two years. Salary, £E.800—£E.1,000, according to qualifications and experience.

Two Chartered or Incorporated Accountants or Associates of either the Association of Certified and Corporate Accountants, or the Institute of Municipal Treasurers and Accountants, preferably with a degree in Economics, are required as auditors or accountants. Costing experience will be a distinct advantage for one post. Age, 30-35. Appointment will be on probationary contract for pension in Scale D.1 the rates of which are £E.480-540-600-660-720-780-852-936, all increases are biennial with the exception of the last which is given after three years' service. The point of entry into the scale will depend on age, qualifications and experience. The lower rates in the scale will not apply to an experienced man of the age advertised.

Cost of Living Allowance at the rate of 35 per cent. of salary, subject to a maximum of £E.15 per mensem, is now payable on all salaries up to £E.1,200 per annum. A progressively reduced allowance is payable to officials on higher salaries. At present there is no Income Tax in the Sudan. Free passage on appointment. Strict medical examination.

Further particulars and Forms of Application may be obtained from the SUDAN AGENT IN LONDON, Wellington House, Buckingham Gate, London, S.W.1. Envelopes should be marked "Finance" and candidates should indicate in which of the posts they are interested.